FIGEAC AERO

GROUP

CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2019

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1.1.1 Introduction

The consolidated financial statements at 31 March 2019 were approved by the Board of Directors' meeting held on 30 July 2019 and submitted for approval at the Shareholders' Meeting of 20 September 2019.

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, France. 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 sheet metal manufacturing, 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 IFRS provisions in force as at 31 March 2019. They were also prepared in accordance with the 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 in force since 1 April 2019. The amounts noted in these financial statements are expressed in thousands of euros (€ thousands).

D- Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to exercise its judgement and make estimates and assumptions that affect the application of accounting policies and 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 the basis 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 may differ from estimated amounts.

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 1.2.3: "Intangible assets"), the fair value of derivative financial instruments (see Section 1.2.8: "Cash, cash equivalents & financial instruments at fair value through profit or loss"), deferred tax assets (see Section 1.2.9: "Deferred tax") and provisions (see Section 1.2.14: "Provisions").

1.1.2 Changes in IFRS

The new IAS/IFRS texts that became effective on 1 April 2018 and were applied by the Group when preparing its consolidated financial statements at 31 March 2019 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
IFRS 9 – Financial instruments	01/01/18	22/11/16	01/01/18
Annual improvements to IFRS – 2014-2016 cycle (1) (2)	01/01/17	08/02/18	01/01/17
Amendments to IFRS 2 "Share-based payment" - clarifications of classification and measurement	01/01/18	27/02/18	01/01/18
IFRIC 22 "Foreign currency transactions and advance consideration"	01/01/18	03/04/18	01/01/18
Amendments to IAS 40 "Investment property" - transfers of investment property	01/01/18	15/03/18	01/01/18

The new IAS/IFRS texts and interpretations adopted by the European Union but applicable to the financial years starting after 1 April 2019 are as follows:

	Date of application IASB	Date of adoption EU	Date of application EU
IFRS 16 – "Leases"	01/01/19	31/10/17	01/01/19
IFRIC 23 – "Uncertainty over income tax treatments"	01/01/19	24/10/18	01/01/2019

The Group chose not to pursue early adoption of these standards, interpretations and amendments when preparing the consolidated financial statements at 31 March 2019.

Estimated impact of the new standards

IFRS 16 - "Leases"

IFRS 16 came 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 similar way to finance leases.

Based on ongoing leases at 1 April 2019, the Group expects application of this standard to have an impact of around €7.5 million, i.e. less than 2% of gross liabilities relating to industrial equipment and property leases, on these financial statements, with most of the leases potentially concerned having already been restated in accordance with IAS17.

The provisions of IFRS 16 are currently being analysed and assessed closely at Group level. The Group now has a tool with which to automatically process the impacts of this standard.

1.1.3 Change in accounting method

- IFRS 15 "Revenue from contracts with customers"

The Group opted to apply IFRS 15 on revenue recognition retrospectively. The opening and closing balance sheets for the year ended 31 March 2018 were thus restated, as was the income statement at 31 March 2018. The impacts are shown in the tables below.

An analysis of the types of contracts and sales transactions made it possible to identify the changes (described below) in how revenue is presented and recognised.

1- Analysis and impact on the presentation of financial statements:

The Group generates most of its revenue from three business activities:

a. Pre-production activity - "Non-recurring costs" relating to series production – Design & Build-type contracts

Following its analysis, the Group concluded that pre-production activities carried out prior to series production do not represent a distinct performance obligation within a contract, as control over these activities is not transferred to the end customer. Consequently:

- advance considerations received for these pre-production activities as "non-recurring costs" are now recognised in the balance sheet as "Contract liabilities" and then reclassified to revenue as and when the components produced are delivered.

- development costs, previously presented as "Inventory and work in progress", now appear on the "Contract costs" line as they are considered under IFRS 15 as the costs of executing the production contract. These costs are amortised either using the external milestone method (aircraft deliveries) or on a straight-line basis over the duration of the contract.

b. Development activities other than series production

Revenue from development activities not relating to series production are recognised on the date of transfer of control to the end customer.

c. Series production of parts and sub-assemblies

This activity constitutes a distinct performance obligation. Revenue is recognised on the date of transfer of control corresponding generally to the delivery of the parts and sub-assemblies to end customers.
The rate at which revenue from series-produced components is recognised (currently on delivery) is the same as in previous years.

In addition, it is no longer possible under IFRS 15 to recognise in the balance sheet the production costs incurred in the first few years of production during the learning curve process, or to reclassify them in profit or loss according to the actual reduction in costs observed.
These costs are now immediately recognised through profit or loss.

Application of IFRS 15 therefore has an impact on the rate at which margins generated from the Group's different contracts are recognised.

The consequences for the balance sheet and income statement are shown in table 1.1.5.1

- IFRS 9 "Financial instruments"

The Group applies IFRS 9 retrospectively. First application of this standard had no material impact on the Group's financial statements. An analysis of the standard shows that the tunnels and forward contracts used by the Group can qualify as hedging, as the time value of these instruments now impact its shareholders' equity rather than its income statement.

(€ thousands)

Losses on irrecoverable trade receivables	Mar-19	Mar-18	Mar-17
Losses on irrecoverable trade receivables	0	192	12
As % of revenue	0	0.05%	0.00%
TOTAL	***0***	***192***	***12***

An analysis of the irrecoverable trade receivables shown below does not allow us to determine the impact of IFRS 9 on the impairment of trade receivables.

After examining the customer portfolio (customer quality, track record for making payments, due dates of trade receivables), the Group identified no IFRS 9 impact on the impairment of trade receivables (see Section 1.2.25.3).

1.1.4 Significant events

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

The Group pursued its plan to reduce WCR over the financial year, translating into:

- almost stable inventory and work in progress (+€3.6 million to €178.2 million); expressed in days of revenue, inventory represented 152 days of revenue at end-March 2019 versus 172 days at end-March 2018.
- a reduction in trade receivables: €82 million versus €95.5 million the previous year.

Figeac Aero negotiated the payment terms for several of its clients, impacting on its trade receivables.

- an increase in trade payables from €81 million to €92 million, i.e. stable in days of revenue at 79 days.

Combined, these efforts resulted in a positive WCR effect.

- **Positive free cash flow**

Free cash flow (net cash flow from operating activities +/- net cash flow from investing activities without incorporating the impact of scope changes) were positive for the financial year at €12.4 million, largely thanks to an increase of more than €50 million in cash flow from operations.

- **Other sources of financing:**

Financing from a banking syndicate

FIGEAC AÉRO obtained a €96 million loan from a banking syndicate (CM-CIC, BNP, HSBC, ARKEA), 50% of which is guaranteed by Bpifrance, a French body promoting the funding and development of medium-sized companies. The bank loan spans 6 years and was obtained on favourable terms for the Group, which will use it to fund a large portion of its new investment requirements after winning the biggest contract in its history (announced in January 2017). The contract was awarded by Spirit AeroSystems and covers the production of aluminium and titanium mechanical components as well as sub-assemblies for the Airbus A350 XWB, Boeing B737, B747-8, B767 and B777 programmes.

Repayment of EIB financing:

Early repayment of €13.2 million of the loan granted by the European Investment Bank.

- **Income:**

Net book value is heavily influenced by unrealised gains and losses on financial instruments (see Section 1.2.8.2), which were positive by €16.6 million in March 2018 and negative by €4.8 million in March 2019; so the Group calculates income net of unrealised currency effects in order to offset these unrealised gains and losses without any impact on the Group's cash position.
Income net of unrealised currency effects amounted to €14.2 million in March 2019 versus €10.6 million in March 2018, reflecting an increase of more than 33%.

- **Other information**

Creation of the Nanshan FigeacAero Industry CO LTD joint venture to design and produce aluminium components; capital injection of $6 million into the company with a $3 million contribution from FIGEAC AERO. This company is integrated into the Group's consolidation scope using the equity accounting method. The JV needs a capital injection of $20 million, of which the Group's share is $10 million. The remaining amount to be contributed by the Group is $7 million.

Inauguration of the production facility in Mexico: an 8,500 m² building on a 3 ha piece of land combining the machining, assembly and surface treatment activities.

Inauguration of the fully automated, connected and computerised 7,500 m² production plant dedicated to LEAP casings.

The Group announced on 7 November 2018 that it had signed a contract with Mitsubishi Heavy Industries Canada Aerospace Inc. to supply components and sub-assemblies for the Bombardier Global Express programme.
This is the Group's first contract with the leading aerospace firm.

1.1.5 Restatement of financial information reported at 31 March 2018

The consolidated financial statements at 31 March 2018 were restated for the impact of the Group's retrospective application of IFRS 15 "Revenue from contracts with customers".

1.1.5.1 A -Consolidated income statement

The main income statement items restated following application of IFRS 15 were as follows:

- Revenue: this corresponds to the reclassification as revenue of advance payments received for development costs once the parts produced have been delivered.

- Change in the inventory of work in progress and finished goods: this corresponds primarily to the cancellation of the change in the "Construction contracts" amount relating to production costs incurred during the learning curve and recognised in the balance sheet in previous years.

Income statement at 31 March 2018

(€ thousand)

Consolidated income statement	31 - Mar -18 Reported	IFRS 15 restatements	31 - Mar -18 Restated
Revenue	372,014	-1,309	370,705
Other income from operations	3,214		3,214
Change in inventory of WIP and finished goods	16,687	-10,937	5,750
Purchases used in production	-188,697	1,169	-187,528
Personnel expenses	-94,507	194	-94,313
External charges	-34,819	124	-34,695
Duties and taxes	-6,352	15	-6,337
Depreciation and amortisation	-30,991	101	-30,890
Net provisions	227		227
			0
Current operating income	36,776	**-10,642**	**26,134**
Other operating income	1,381		1,381
Other operating expenses	-4,111		-4,111
Operating income	34,046	**-10,642**	**23,404**
Financial income	99		99
Financial expenses	-6,231		-6,231
Cost of debt	-6,132		**-6,132**
Realised currency gains and losses	-6,085		-6,085
Unrealised gains and losses on financial instruments	16,668		16,668
Other financial income and expenses	-115		-115
Share of net profit from equity affiliates	0		0
Income tax	-8,144	2,157	-5,987
Net income (loss) for the period	***30,237***	***-8,485***	***21,752***

1.1.5.2 B -Statement of consolidated financial position

Statement of consolidated financial position at 31 March 2018

(€ thousands)	March 2018 Reported		March 2018 Restated
CONSOLIDATED ASSETS	**Year end**	**Impact of IFRS 15**	**Year end**
Development costs	80,491		80,491
Goodwill	2,397		2,397
Other intangible assets	3,074		3,074
Total intangible assets	**85,961**		**85,961**
Land	4,409		4,409
Buildings	58,091		58,091
Plant machinery	134,379		134,379
Other property, plant and equipment	7,664		7,664
Total property, plant and equipment	**204,543**		**204,543**
Deferred taxes	3,784	**4,966**	8,750
Other financial assets	3,182		3,182
Other non-current assets	15,079		15,079
Contract assets		23,178	23,178
Total non-current assets	**312,550**	**28,144**	**340,694**
Inventory and work in progress	272,587	-97,984	174,603
Trade and other receivables	95,565		95,565
Tax receivables	14,180		14,180
Other current assets	26,666		26,666
Cash and cash equivalents	107,906		107,906
Total current assets	**516,904**	**-97,984**	**418,920**
Total assets	***829,455***	***-69,840***	***759,615***

(€ thousands)	March 2018 Reported		March 2018 Restated
CONSOLIDATED LIABILITIES	**Year end**	**Impact of IFRS 15**	**Year end**
Share capital	3,821		3,821
Premiums	118,455		118,455
Reserves	107,693	-50,342	57,351
Currency translation reserve	-1,214		-1,214
Net income (loss) for the year	30,275	-8,485	21,790
Share capital issued and reserves attributable to owners of the parent company	**259,031**		**200,204**
Non-controlling interests	43		43
Non-controlling interests	**43**		**43**
Total consolidated shareholders' equity	**259,074**	**-58,827**	**200,247**
Loans from credit institutions	180,781		180,781
Repayable advances	21,855		21,855
Finance lease liabilities	47,062		47,062
Other financial liabilities	1,756		1,756
Total non-current financial liabilities	**251,454**		**251,454**
Other provisions	6,331		6,331
Deferred tax liabilities	36,173	-21,524	14,649
Provision for pensions & long-term employee benefits	1,856		1,856
Derivative financial instruments	12,040		12,040
Other non-current liabilities	1,629		1,629
Contract liabilities		10,511	10,511
Non-current portion of deferred income	8,024		8,024
Total non-current liabilities	**317,507**	**-11,013**	**306,494**
Short-term financial liabilities	70,742		70,742
Current portion of long-term financial liabilities	47,566		47,566
Repayable advances	5,211		5,211
Total current financial liabilities	**123,519**		**123,519**
Trade payables	81,165		81,165
Tax liabilities	14,161		14,161
Other current liabilities	26,390		26,390
Deferred income	7,640		7,640
Total current liabilities	**252,875**	**0**	**252,875**
Total shareholders' equity and liabilities	***829,455***	***-69,840***	***759,615***

The main balance sheet items restated following application of IFRS 15 were as follows:

Contract assets:
Reclassification of development costs (NRC, non-recurring costs) from “Inventory and work in progress” to “Contract assets”.
Recording of non-recurring development costs, previously recognised through profit or loss.

Inventory and work in progress:
Cancellation through shareholders’ equity of the “Construction contracts” amount relating to the learning curve totalling €85 million before deferred taxes.

Reclassification as “Contract assets” of non-recurring costs amounting to €13 million.

Contract liabilities:
Recording of advance payments received from clients in respect of development costs as “Contract liabilities” amounting to €10.5 million.

1.1.5. C –Consolidated cash flow statement

(€ thousands)

	31 Mar 2018 reported	IFRS 15 restatements	31 Mar 2018 restated
Cash flow from operations			
Income (loss) from consolidated companies	30,237	-8,485	21,752
Dep., amort., provisions and share of subsidies allocated to income	35,603	-101	35,502
Elimination of fair value gains/losses	-11,868		-11,868
Other non-cash items	2,742		2,742
Cash flow after cost of debt, net of tax	**56,714**	**-8,586**	**48,128**
Tax expense	7,119	-2,157	4,962
Cost of debt	4,257		4,257
Cash flow before cost of debt, net of tax	**68,090**	**-10,743**	**57,347**
Change in operating working capital requirement	-32,774	10,743	-22,031
Change in inventory	-33,728	10,642	-23,086
Change in trade and other receivables	-7,494	101	-7,393
Change in trade and other payables	8,448		8,448
Tax paid	0		0
NET CASH FLOW FROM OPERATING ACTIVITIES	**35,316**		**35,316**
Cash flow from investing activities			
Asset acquisitions	-75,137		-75,137
Asset disposals	5,895		5,895
Consolidation scope effect	-15		-15
NET CASH FLOW FROM INVESTING ACTIVITIES	**-69,257**		**-69,257**
Cash flow from financing activities			
Capital increases	6		6
Increases in subsidies	0		0
Loans and advances contracted	132,305		132,305
Loans and advances repaid	-45,044		-45,044
Other financial liabilities	11,435		11,435
Interest paid	-4,257		-4,257
NET CASH FLOW FROM FINANCING ACTIVITIES	**94,445**		**94,445**
CHANGE IN CASH POSITION	***60,504***		***60,504***
Cash position - year start	-23,068		-23,068
Cash position - change in exchange rates	-272		-272
Cash position - year end	37,165		37,165
CHANGE IN CASH ACCOUNT	***60,504***		***60,504***

1.1.6 Consolidated balance sheet

(€ thousands)

CONSOLIDATED ASSETS	Notes	Year end Mar-19	Year end Mar-18 *
Development costs	1.2.3	111,638	80,491
Goodwill	1.2.3	0	2397
Other intangible assets	1.2.3	2,761	3,073
Total intangible assets		**114,399**	**85,961**
Land	1.2.4	5,036	4,409
Buildings	1.2.4	60,127	58,091
Plant machinery	1.2.4	140,266	134,379
Other property, plant and equipment	1.2.4	11,283	7,664
Total property, plant and equipment	1.2.4	**216,711**	**204,543**
Equity affiliates		2702	0
Deferred taxes	1.2.9	14,792	8,750
Other financial assets	1.2.5	3,572	3,182
Other non-current assets	1.2.7	2,326	15,079
Contract assets		29,238	23,178
Total non-current assets		**383,741**	**340,694**
Inventory and work in progress	1.2.6	178,272	174,603
Trade and other receivables	1.2.7	85,150	95,565
Tax receivables	1.2.7	13,923	14,180
Other current assets	1.2.7	26,959	26,666
Cash and cash equivalents	1.2.8	122,418	107,906
Total current assets		**426,722**	**418,920**
Total assets		***810,462***	***759,615***

(€ thousands)		Mar-19	Mar-18 *
CONSOLIDATED LIABILITIES	**Notes**	**Year end**	**Year end**
Share capital	1.2.12	3,821	3,821
Premiums	1.2.12	118,455	118,455
Reserves	1.2.12	67,562	57,351
Currency translation reserve	1.2.12	-2,370	-1,214
Net income (loss) for the year	1.2.12	11,058	21,790
Capital issued and reserves attributable to owners of the parent company	1.2.12	**198,526**	**200,204**
Non-controlling interests	1.2.12	-203	43
Non-controlling interests		**-203**	**43**
Total consolidated shareholders' equity	*1.2.12*	**198,323**	**200,247**
Loans from credit institutions	1.2.11	250,350	180,781
Repayable advances	1.2.11	16,432	21,855
Finance lease liabilities	1.2.11	43,686	47,062
Other financial liabilities	1.2.11	1,595	1,756
Total non-current financial liabilities	*1.2.11*	**312,063**	**251,454**
Other provisions	1.2.14	5,158	6,331
Deferred tax liabilities	1.2.9	15,789	14,649
Provision for pensions & long-term employee benefits	1.2.14	2,087	1,856
Derivative financial instruments	1.2.8.2	17,211	12,040
Other non-current liabilities		960	1,629
Contract liabilities		15,320	10,511
Non-current portion of deferred income		8,079	8,024
Total non-current liabilities		**376,665**	**306,494**
Short-term financial liabilities	1.2.11	49,467	70,742
Current portion of long-term financial liabilities		36,006	47,566
Repayable advances		6,514	5,211
Total current financial liabilities		**91,987**	**123,519**
Trade payables	1.2.15	92,142	81,165
Tax liabilities	1.2.15	14,654	14,161
Other current liabilities	1.2.15	26,319	26,390
Deferred income		10,372	7,640
Total current liabilities		**235,474**	**252,875**
Total shareholders' equity and liabilities		***810,462***	***759,615***

1.1.7 Consolidated income statement

(€ thousands)

Consolidated income statement		Mar-19 Year end	Mar-18 * Year end
Revenue	1.2.16	427,956	370,705
Other income from operations	1.2.20	3,318	3,214
Change in inventory of WIP and finished goods		10,776	5,750
Purchases used in production		-234,782	-187,528
Personnel expenses		-96,528	-94,313
External charges		-35,062	-34,695
Duties and taxes		-5,969	-6,337
Depreciation and amortisation		-35,840	-30,890
Net provisions		-1,034	277
Current operating income		**32,835**	**26,134**
Other operating income	1.2.21	1,066	1,381
Other operating expenses	1.2.21	-3,464	-4,111
Operating income	1.2.21	**30,437**	**23,404**
Financial income		141	99
Financial expenses		-9,874	-6,231
Cost of debt	1.2.22	**-9,733**	**-6,132**
Realised currency gains and losses		-2,729	-6,085
Unrealised gains and losses on financial instruments		-4,824	16,668
Other financial income and expenses		-563	-115
Share of net profit from equity affiliates		0	0
Income tax	1.2.19	-1,747	-5,987
Income (loss) for the period		***10,840***	***21,753***

1.1.8 Statement of comprehensive income

(€ thousands)

Statement of comprehensive income	Notes in the appendices	March-19 Year end	March-18 * Year end
Income (loss) for the period		***10,840***	***21,753***
Other items of comprehensive income			
Cash flow hedges - portion of fair value adjustment deemed effective		-13,123	24,963
Deferred taxes - fair value adjustment of hedging instruments		4,068	-7,739
Post-employment liabilities - actuarial gains and losses		-44	1,640
Deferred taxes - post-employment liabilities - actuarial gains and losses		14	-459
Translation differential		-1,156	-853

Comprehensive income (loss) for the year		**599**	**39,305**
* Attributable to owners of the parent company		813	39,348
* Non-controlling interests		-214	-43
Number of shares		31,839,473	31,839,473

1.1.9 Change in shareholders' equity

(€ thousands)

	Group share								
CHANGE IN SHAREHOLDERS' EQUITY	**Share capital**	**Treasury shares**	**Premiums**	**Consolidated reserves**	**Forex translation reserve**	**Income (loss)**	**Total attributable to Group shareholders**	**Non-controlling interests**	**Total shareholders' equity**
Financial year ended March 2017, reported	***3,815***	***-222***	***118,455***	***56,873***	***-360***	***32,545***	***211,105***	***204***	***211,310***
Impact of IFRS 15				-50,342			-50,342		
Financial year ended March 2017, restated	***3,815***	***-222***	***118,455***	***6,531***	***-360***	***32,545***	***160,763***	***204***	***160,967***
Change in accounting method				0			0		0
Retrospective restatements				0			0		0
Share capital transactions	6	-1,063	0				-1,057	0	-1,057
Change in translation differential					-853		-853		-853
Impact of IFRS 2				345			345		345
Impact of IAS 19				1,181			1,181		1,181
Fair value of financial assets				17,225			17,225		17,225
Other				774			774	-42	732
Dividends paid				0			0	0	0
Appropriation of prior-year net income				32,545		-32,545	0		
Other items of comprehensive income									
Income (loss) for the period						21,790	21,790	-39	21,751
Consolidation scope changes				38			38	-80	-42
Financial year ended March 2018, reported	***3,821***	***-1,285***	***118,455***	***108,978***	***-1,214***	***30,275***	***259,031***	***43***	***259,074***
Financial year ended March 2018, restated	***3,821***	***-1,285***	***118,455***	***58,636***	***-1,214***	***21,790***	***200,204***	***42***	***200,247***
Change in accounting method							0		
Share capital transactions		-1,969	0				-1,969	0	-1,969
Change in translation differential					-1,156		-1,156		-1,156
Impact of IFRS 2				0			0		0
Impact of IAS 19				-30			-30		-30
Fair value of financial assets				-9,055			-9,055		-9,055
Other				-498			-498		-498
Dividends paid									0
Appropriation of prior-year net income				21,790		-21,790	0		0
Other items of comprehensive income									
Income (loss) for the period						11,058	11,058	-245	10,813
Consolidation scope changes				-27			-27		-27
									0
Financial year ended March 2019	***3,821***	***-3,254***	***118,455***	***70,816***	***-2,370***	***11,058***	***198,527***	***-203***	***198,323***

1.1.10 Consolidated cash flow statement

(€ thousands)	Mar-19	Mar-18 *
Cash flow from operations		
Income (loss) from consolidated companies	10,871	21,752
Share of net profit from equity affiliates	-27	0
Dep., amort., provisions and share of subsidies allocated to income	41,084	35,502
Elimination of fair value gains/losses	6,695	-11,868
Other non-cash items	649	2,742
Cash flow after cost of debt, net of tax	**59,272**	**48,128**
Tax expense	-845	4,962
Cost of debt	5,510	4,257
Cash flow before cost of debt, net of tax	**63,937**	**57,347**
Change in operating working capital requirement	21,698	-22,031
Change in inventory	-3,327	-23,086
Change in trade and other receivables	12,374	-7,393
Change in trade and other payables	12,651	8,448
Tax paid	0	0
NET CASH FLOW FROM OPERATING ACTIVITIES	**85,635**	**35,316**
Cash flow from investing activities		
Asset acquisitions	-81,774	-75,137
Asset disposals	8,526	5,895
Consolidation scope effect	-2,640	-15
NET CASH FLOW FROM INVESTING ACTIVITIES	**-75,888**	**-69,257**
Cash flow from financing activities		
Capital increases	0	6
Increases in subsidies	-1,969	0
Loans and advances contracted	110,153	132,305
Loans and advances repaid	-64,805	-45,044
Other financial liabilities	-11,435	11,435
Interest paid	-5,510	-4,257
NET CASH FLOW FROM FINANCING ACTIVITIES	**26,434**	**94,445**
CHANGE IN CASH POSITION	***36,181***	***60,504***
Cash position - year start	37,165	-23,068
Cash position - change in exchange rates	-395	-272
Cash position - other changes	0	0
Cash position - year end	72,951	37,165
CHANGE IN CASH ACCOUNT	***36,181***	***60,504***

*The balance sheet and income statement for the period ended 31 March 2018 have been modified compared to those presented in the consolidated financial statements at 31 March 2018 to incorporate the impact of the retrospective application of IFRS 15 starting from 1 April 2018, with comparative periods being restated. (See Note 1.1.5).

1.2 Notes to the consolidated financial statements

1.2.1 Accounting principles

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 of companies in which Figeac Aéro has a significant interest are accounted for using the equity method.

All transactions between consolidated companies, as well as internal income generated from disposals of fixed assets or from the inventories of consolidated companies, are eliminated. Internal losses are eliminated in the same way as internal gains, but only if they do not correspond to an impairment loss.

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

The financial statements of foreign companies (outside the euro zone) are translated as follows:

- assets and liabilities, including goodwill and fair value adjustments due to consolidation, are translated at the closing exchange rate;
- income statement items are translated at the exchange rate applicable on the transaction date or, in practice, at an approximately close rate corresponding to the average rate for the financial year, unless exchange rates have fluctuated significantly. For business activities in countries with high inflation, the income statement items of the subsidiary concerned would be translated at the closing exchange rate in accordance with IAS 29 and the interpretation of IFRIC 7;
- the translation differential is recorded in a separate item under shareholders' equity and does not impact on income.

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

	31-03-18		31-03-19	
	Balance sheet	Income	Balance sheet	Income
US dollar	1.2321	1.1703	1.1235	1.1553
Tunisian dinar	2.9883	2.8744	3.4408	3.2661
Moroccan dirham	11.3378	11.1356	10.8536	10.9705
Mexican peso	22.5249	21.8711	21.6910	22.3745
Romanian leu	4.6565	4.6565	4.7801	4.6719
Chinese yuan	N/A	N/A	7.5397	7.7852

C. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are converted 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 converted at the exchange rate applicable on 31 March. Unrealised foreign exchange gains or losses generated at this time are recognised in the income statement.

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

D. Closing dates

FIGEAC AERO (the parent company) along with MECABRIVE INDUSTRIES, FGA TUNISIE, FGA NORTH AMERICA, FGA PICARDIE, FGA SAINT NAZAIRE, FGA MAROC, SN2A, CASABLANCA AERO, FGA TUNISIA PROCESS, FGA AUXERRE, FGAGS, ATELIERS TOFER, TSI, TOFER HOLDING, TOFER IMMOBILIER and FGA USA, NANSHAN, MAT are consolidated based on their balance sheets for the 12-month period ended 31 March 2019.

MTI, SCI REMSI, EGIMA, TES and SCI Mexico closed their financial years on 31 December 2018. Their individual financial statements were restated to reflect significant transactions or transactions having an impact on their consolidated financial statements between 1 January and 31 March 2019.

E. Revenue recognition principles

The Group generates most of its revenue from:

- providing services: studies, after-sales services, etc.;
- selling goods.

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

In most cases, the date in question is the date on which the goods are delivered or the services provided.

F. Business combinations

The business combinations arranged since 1 January 2010 are recognised in accordance with the provisions set out in IFRS 3 (revised).

The Group applies the acquisition method to recognise business combinations. The acquisition price for the acquisition of a subsidiary is referred to as the "consideration transferred". It is the sum of the fair values of the assets transferred and of the liabilities assumed by the buyer on the date of the acquisition, along with the shareholders' equity instruments issued by the buyer.

The acquisition price includes any earn-out components and put options on minority interests measured and recognised at their fair value on the date of acquisition.

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

For a takeover made via a series of acquisitions, the shareholding previously held by the Group is revalued at its fair value on the date control is taken, and any resulting gain or loss is recorded in the income statement.

The initial measurement of goodwill is finalised at the latest within twelve months following the date of acquisition.

G. Other intangible assets

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

- they can be separated from the entity (possibility of being sold, transferred, disposed of, etc.) either individually or together with 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 AÉRO 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 1 and 3 years.

Development costs

An intangible asset produced during the development phase is registered as an asset only in the following circumstances:

- technical feasibility required to complete the intangible asset with a view to operating or selling it;
- intention to complete the intangible asset and to use 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 intangible asset's output or for the intangible asset itself or, if it is to be used internally, its usefulness;
- availability of the technical, financial and other resources required to complete the development of the intangible asset and to use or sell it;
- ability to reliably measure 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 to create, produce and prepare the asset so that the Group can operate it as planned.

The other development costs are recognised in expenses when they are incurred.

No intangible assets resulting from research are recognised as assets. Research costs are recognised in expenses when they are incurred.

Amortisation of development costs reflect the rate at which the economic benefits expected of the asset are used. The method used is straight-line amortisation. Useful life depends on the asset concerned. It is of 5 years. If the present value of an asset is below its book value, a one-off depreciation or amortisation charge (depending on the case) is recognised amounting to the difference between the two figures in order to revert the asset to its present value.

Useful lives are reviewed at each year-end. No intangible assets are considered to have indefinite lives.

H. Property, plant and equipment

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

Cost items include:

- purchase price, including customs duties and non-reimbursable taxes, less rebates, reductions and discounts granted*;*
- the direct costs of transferring and preparing the asset for operation;
- if applicable, the initial estimate of the costs of decommissioning, removal and rehabilitation of the site.

The Group does not include borrowing costs in its asset costs.

When significant items of property, plant and equipment can be determined and have different useful lives and depreciation methods, they are recognised as separate property, plant and equipment (by item).

When registering the book value of an item of property, plant and equipment, the Group incorporates the cost of replacing a component of this item of property, plant and equipment at the time this cost is incurred, if it is likely that the associated future economic benefits of this asset will go to the Group and its cost can be measured reliably. All current repair and maintenance costs are recognised in expenses at the time they are incurred.

The depreciation periods used are as follows:

- for buildings and fixtures: from 5 to 30 years depending on the type of building and fixture
- for industrial equipment: from 3 to 10 years depending on the type and use of this equipment
- for furnishings and IT equipment: from 3 to 6 years depending on the use of this equipment
- for transport equipment: from 2 to 5 years depending on the use of these vehicles.

The Group uses straight-line depreciation.

Useful lives are reviewed at each year-end.

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

I. Finance leases

Leases that transfer almost all the risks and benefits of ownership of an asset to the Group are classified as finance leases.

Assets financed through finance leases are presented as assets at their fair value or at the present value of minimum lease payments if this figure is lower. Any cumulative depreciation and impairment charges are subsequently deducted from this value. The corresponding debt is registered as a financial liability and recognised using the effective interest rate method over the duration of the contract.

The asset is depreciated according to the useful life expected by the Group for similar assets.

Finance leases include call option clauses, which the Group tends to exercise.

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

Annual impairment tests are carried out on:

- ❖ intangible assets in progress.

Where there is an indication of impairment, impairment testing is carried out systematically on the other assets.

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

The impairment test serves to compare the book value of the asset or CGU group with its recoverable value. Recoverable value corresponds to the higher of the following two figures:

- ❖ fair value less the cost of sale;
- ❖ value in use, which is the present value of future cash flows that the asset or CGU is likely to generate. Future cash flows are determined based on four-year forecasts for the CGU or CGU group concerned, approved by Group Management. The growth rates used for subsequent periods are stable. Discount rates are determined using a risk-free rate for the region concerned, adding a risk premium specific to the assets concerned.

An impairment charge recognised for another asset is reversed if there has been a change in the estimates used to determine its recoverable value. The book value of an asset that has been increased due to the reversal of an impairment charge can be no higher than the book value that would have been determined, net of amortisation charges, if no impairment had been recognised.

A provision is systematically recognised whenever an asset or CGU is impaired.

K. Inventory 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). Depreciation charges are recognised on raw materials that are not expected to be consumed according to the following scale:

no movement in over 18 months but less than 24 months	50%
no movement in more than 24 months	75%

- Work in progress (excluding construction contracts)

Work in progress is measured using the full cost method, excluding expenses not related to production and potential under-utilisation. A depreciation charge is recognised on work in progress when the expected cost price of the finished good into which it is incorporated is above its expected sale price less distribution costs.

- Finished goods

Finished goods are measured using the full cost method, excluding expenses not related to production and any potential under-utilisation.

Depreciation charges are recognised for finished goods that are classified as obsolete and very unlikely to be sold (split into two categories), according to the following scale:

item classified as obsolete/maybe (might be sold): 25%

item classified as obsolete/never (unlikely to be sold): 90%

Inventory is recognised at the lower of the following two figures: cost or net realisable value (estimated sale price in the ordinary course of business less estimated costs of completion and estimated costs of making the sale).

L. Trade and other receivables

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

When there is an objective indication of impairment, the impairment loss recognised is the difference between the asset's book value and the present value of its estimated future cash flows, discounted at the asset's initial effective interest rate.

M. Cash and cash equivalents

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

Cash equivalents are highly liquid short-term investments made up of marketable securities that can easily be converted into a known amount of cash and face little risk of a change in value. They are recognised at their net asset value on the closing date, with the investment bonus recognised in the income statement.

N. Tax credits, subsidies and other public aid

FIGEAC AÉRO Group has benefited from public aid in the form of “repayable advances”. These advances are recognised as financial liabilities. When originated, they are valued in consideration of the cash and cash equivalents received. At each year-end, they are valued using the amortised cost method, determined using the effective interest rate. The discount effect is recognised in net financial income.

The Group's research and development policy means that it receives a research tax credit granted to companies based in France. This research tax credit is considered a subsidy under 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 allocated to capitalised projects is recognised as deferred income and transferred to income over the useful lives of the assets for which the credit was granted.

The Group receives subsidies for development projects; subsidies received and attributable to capitalised projects undergo the same accounting treatment.

The competitiveness and employment tax credit (CICE) was introduced in France with the 3rd amended Finance Law of 2012 and took effect on 1 January 2013. This tax credit is calculated for each calendar year; in 2018 it corresponded to 6% of salaries 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 payroll refund that made it possible to lower the cost of labour. In this regard, it was recognised in accordance with IAS 19 as a reduction in personnel expenses at the rate of corresponding compensation costs. The amount of CICE deducted from personnel expenses was €2,206 thousand for financial year 2019 and €3,201 thousand for financial year 2018.

The CICE scheme was discontinued as of 1 January 2019 and replaced with a system reducing employer contributions on low salaries.

O. Taxes

Income tax includes tax due and deferred tax.

Tax due

Tax due is the estimated amount of tax due for taxable profit over the period, using applicable tax rates, and any adjustment of tax due from previous periods.

Deferred tax

Deferred tax mainly stems from:

- tax losses carried forward;
- temporary differences that may exist between the consolidated value and tax base of certain assets and liabilities.

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

A company's liability position may, in certain circumstances, be reduced by the amount of tax loss carryforwards that can reasonably be offset against profit and the amount of deferred taxes on deductible temporary differences.

Deferred tax assets are recognised when their recovery is likely. Tax losses or temporary differences must be attributable to future taxable profits, up to any upper limits imposed by French law. Deferred tax assets are reduced when it is no longer likely that sufficient taxable profit will become available.

Pursuant to application of IAS 12, deferred tax assets and liabilities are not subject to discounting. They are presented in the balance sheet, accordingly, as non-current assets or 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 effectively considered that value added arises at an intermediate level of income for which the amount is significantly different to 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 company, financial assets and liabilities at fair value through profit or loss, and other financial liabilities.

Assets held to maturity

The Group does not have any.

Loans and receivables issued by the company

After initial recognition, they are measured at amortised cost using the effective interest rate method and may be subject to amortisation if there is indication of impairment.

A financial asset is derecognised if the risks and rewards associated with the asset are transferred and if control of the asset is transferred. As such, discounted bills not yet due and Dailly assignments of receivables 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 on the closing date.

Other debt (loans and borrowings carrying interest)

After initial recognition, they are measured using the effective interest rate method.

Equity interests

The Group holds an investment in a company without having significant influence or control (Aérotrade SAS). As their fair value cannot 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 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 rewards inherent to ownership of the financial asset are transferred, or when it neither transfers nor retains almost all of the risks and rewards 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.

Otherwise, receivables are retained as assets in the balance sheet and the Group retains the debtor's default risk. The amount transferred by the bank is recognised in cash and cash equivalents, offset by the recognition of a bank loan in liabilities. The bank loan and receivable disappear from the balance sheet only when the debtor has repaid its debt to the banking institution. The costs incurred are deducted from debt, the latter being measured using the amortised cost method at the effective interest rate.

Q. Derivative financial instruments

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

Interest rate derivative financial instruments

Interest rate hedging instruments are described in the following table:

Type of transaction	*Date of transaction*	*Effective date of transaction*	*Maturity date*	*Nominal value of transaction*	*Transaction currency*	*Exposures (signed)*	*Valuation including accrued interest (euros)*	*Valuation ex-coupon (euros)*	*Amount of accrued interest (euros)*
Vanilla swap	07/07/2010	30/09/2010	30/03/2020	3,342,526	EUR	762,332	-33,426	-33,426	0
Cap	Jan-19		31/01/2023	38,280,662	EUR	38,280,662	-163,146	-163,146	0
Collar	Jan-19		31/07/2024	18,885,302	EUR	18,885,302	-21,821	-21,821	0

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

	31/03/2019		31/03/2018	
€ thousands	**Fair value**	**Impact on income**	**Fair value**	**Impact on income**
Interest rate swap	-218	-218	-18	-18

The increased impact of the fair value of interest rates is the result of the hedging arranged for the €96 million loan negotiated in July 2018.

Foreign exchange derivative financial instruments

Foreign exchange hedging instruments are described in the following table:

Position at 31 March 2019				
Financial instruments	***Nominal***	***Maturity***		
		< 1 year	***1 to 5 years***	***> 5 years***
- EUR/USD forex options / cash flow hedge, sales	22,800,000	22,800,000		
- EUR/USD forex options / cash flow hedge, procurements	0			
- EUR/USD forex options / non-hedge accounted	0			
- EUR/USD forex barrier options	0			
- EUR/USD accumulators / cash flow hedge	0			
- EUR/USD accumulators / non-hedge accounted	229,639,300	97,960,000	131,679,300	
- Buy USD/EUR accumulators / non-hedge accounted	0			
- Sell EUR/USD TARFs / cash flow hedge	0			
- Sell EUR/USD TARFs / non-hedge accounted	157,500,000	150,400,000	7,100,000	
- Buy EUR/USD TARFs / non-hedge accounted	0			
- Tunnel / non-hedge accounted	13,750,000	13,750,000		
- Fader / non-hedge accounted	0			
- Forward purchase agreements	600,000	600,000		
- Forward sales agreements	97,257,000	87,257,000	10,000,000	
Total currency risk, sales	520,946,300	372 167 000	148,779,300	0
Total currency risk, procurements	600,000	600,000	0	0

Accounting principles for foreign exchange derivative instruments

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

For financial instruments classified as "cash-flow hedges", hedging instruments are measured at their fair value in the balance sheet offset against:

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

The cumulative amounts in shareholders' equity relating to the effective portion of the hedging instrument's fair value adjustment are retained within equity until the underlying transaction occurs. They are then reclassified to 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 fair value adjustment is recognised in financial profit or loss.

Hedge accounting documentation

As previously indicated, Figeac Aéro handles long-term contracts in foreign currencies and is therefore able to forecast highly probable future cash flows over the periods concerned. Long and short exposures are not offset.

Consequently, at inception of the hedge, Figeac Aéro establishes formal documentation to describe the hedge relationship. At inception of the hedge, and then at each reporting date, Figeac Aéro will carry out prospective hedge effectiveness tests (Critical Terms Match method) and retrospective tests (Dollar Offset method) to ensure that the relationship is highly effective in offsetting changes in the fair value or cash flows of the hedged risk, in keeping with the currency risk management strategy described above.

In order to guarantee that the retrospective hedge testing achieves 100% effectiveness, the "time value" component is separated from fair value adjustments of the currency options and is therefore considered ineffective.

R. Share capital management

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

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

Currently, FIGEAC AÉRO Group has no group savings plan or international group savings plan.

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 when treasury shares are purchased, sold or cancelled. The consideration 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 has arisen from past events;
- when it is likely that there will be an outflow of resources to extinguish 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 as non-current liabilities.

U. Employee benefits

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

Long-term benefits concern:

- defined contribution pension 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 pension plans: these are retirement pensions, provisioned using the Projected Unit Credit (PUC) method, taking demographic factors into account (staff turnover, mortality table) and also financial factors (salary increases). The discount rate used is the bond yield on investment grade bonds (rated "AA"). If there is no active market, the rate used is the government bond yield. Actuarial gains or losses are recognised in OCI (Other Comprehensive Income items);
- other long-term benefits: these benefits are provisioned as and when they are acquired by the employees concerned. The amount of the obligation is calculated using the Projected Unit Credit (PUC) method. Revaluations of the obligation relating to other long-term benefits are recognised in net income (loss) for the period in which they occur.

V. Trade and other payables

Trade and other payables are measured at their fair value on initial recognition, then at amortised cost.

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

W. Methods used to calculate earnings per share

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

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

X. Business segments

The performance analysis as conducted by Management presents four distinct business segments: "Aerostructures", including the sheet metal assets taken over from the former Auvergne Aéronautique Group; "Assembly"; "General engineering and heavy sheet metal manufacturing"; 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 the Group's performance. They therefore refer to a very small number of income and expense entries that are unusual in nature, abnormal and infrequent, which the Group presents separately in its income statement.

1.2.2 – Consolidation scope

1.2.2.1 Consolidated companies

Company and legal form	Company ID number	Registered office	Consolidation method		% control		% interest	
			March 2018	March 2019	March 2018	March 2019	March 2018	March 2019
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	N/A	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	N/A	2701 South Bayshore Drive 33133 MIAMI	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
FGA PICARDIE SAS	533995684	Rue Maryse BASTIE 80300 MEAULTE	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
FGA NORTH AMERICA INC	N/A	9313 E 39th St N Wichita, KS, 67226 USA	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
FIGEACAERO MAROC	328973	Lotissement Mauritania Z.I Bernoussi CASABLANCA	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	N/A	Guillermo Prieto N°6 Hermosillo Sonara Mexico	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 MAROC	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 MAROC	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
FGA GROUP SERVICES	832847248	Z.I. de l'Aiguille 46100 FIGEAC	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
ATELIERS TOFER	700802135	Z.A.de Bogues 31750 ESCALQUENS	Full consolidation	Full consolidation	75,50%	75,50%	75,50%	75,50%
TOFER HOLDING	442692406	Z.A.de Bogues 31750 ESCALQUENS	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
TOFER SERVICE INDUSTRIES	797707593	135 Avenue de Toulouse 31750 ESCALQUENS	Full consolidation	Full consolidation	100,00%	100,00%	100,00%	100,00%
TOFER EUROPE SERVICE	N/A	ZI Dibo Hala10 PRAHOVA ROUMANIE	Full consolidation	Full consolidation	86,00%	86,00%	86,00%	86,00%
TOFER IMMOBILIER	841174873	Z.I. de l'Aiguille 46100 FIGEAC	N/A	Full consolidation	N/A	100,00%	N/A	100,00%
NANSHAN FIGEAC AERO INDUSTRY	N/A	QUTAN VILLAGE YANTAI SHANDONG CHINE	N/A	Equity accounted	N/A	50,00%	N/A	50,00%
MAT FORMATION	830183257	1, Imp. Langevin 19108 BRIVE	N/A	Full consolidation	N/A	100,00%	N/A	100,00%

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

Under IFRS 10, the parent company (FIGEAC AERO) 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 as a result of its involvement with it;
- ✓ it can use its power over the entity to affect the value of these returns.

1.2.2.2 Non-consolidated companies

Company and legal form	Company ID number	Registered office	Consolidation method		% control		% interest	
			March 2018	March 2019	March 2018	March 2019	March 2018	March 2019
SAS AEROTRADE	520459876	23 Av Edourad BELIN 31400 TOULOUSE	Non consolidated	Non consolidated	1.00%	1.00%	1.00%	1.00%

1.2.3 Intangible assets

(€ thousands)

Intangible assets	Year start (Mar-18)	Increase	Decrease	Item to item transfer	Translation differential	Change in consolidation scope	Year end (Mar-19)
Startup costs and similar	0	0	3	-3	0	0	0
Development costs	45,594	1,439	-842	21,944	24	0	68,160
Goodwill (consolidated accounts)	2,397	0	-2,397	0	0	0	0
Concessions, patents & licences	1,868	198	-234	44	9	0	1,885
Software	7,707	851	-2	37	-2	0	8,591
Goodwill (individual accounts)	509	0	0	0	0	0	509
Other intangible assets	4	0	-3	0	0	0	1
Intangible assets in progress	56,719	37,604	-1,519	-22,022	0	0	70,782
Int. assets in progress - finance leases	2,420	1,670	0	0	0	0	4,090
Advances/intangible assets	0	0	0	0	0	0	0
Gross intangible assets	***117,218***	***41,763***	***-4,994***	***0***	***31***	***0***	***154,018***
Amortisation							
Startup costs - amortisation	0	0	0	0	0	0	0
Development costs - amortisation	-24,242	-7,566	788	0	0	0	-31,021
Conc., patents, licences - amortisation	-1,620	-174	234	0	-13	0	-1,573
Software - amortisation	-5,385	-1,266	0	0	11	0	-6,640
Goodwill - amortisation	-5	-5	0	0	0	0	-10
Other intangible assets - amortisation	-4	0	3	0	0	0	-1
Intangible assets in progress - depreciation	0	-373	0	0	0	0	-373
Advances/intangible assets - depreciation	0	0	0	0	0	0	0
Amortisation & depreciation of intangible assets	***-31,256***	***-9,385***	***1,025***	***0***	***-2***	***0***	***-39,618***
Net values							
Startup costs and similar	0	0	3	-3	0	0	0
Development costs	21,352	-6,126	0	21,944	24	0	37,139
Goodwill (consolidated accounts)	2,397	0	-2,397	0	0	0	0
Concessions, patents & licences	248	24	0	44	-4	0	312
Software	2,322	-415	-2	37	8	0	1,951
Goodwill (individual accounts)	504	-5	0	0	0	0	499
Other intangible assets	0	0	0	0	0	0	0
Intangible assets in progress	56,719	37,231	-1,519	-22,022	0	0	70,409
Advances/intangible assets	2,420	1,670	0	0	0	0	4,090
Intangible assets	***85,961***	***32,379***	***-3,969***	***0***	***28***	***0***	***114,399***

New intangible assets were:

- generated internally (capitalised development costs) amounting to €33 million (+€31 million in 2018), of which €6.3 million committed as part of the ERP project.
- acquired externally amounting to €4.2 million (+€3 million in 2018), of which €4 million for the ERP project.

Continued installation of the Group's new ERP: the amount committed this financial year was €10.3 million.

Most of the R&D effort was carried out by FIGEAC AERO. The effort was spread across 27 development areas.

The Group's R&D investment policy focuses on new machining systems (aerostructure and engines).

In this area, FIGEAC AÉRO Group must prepare for the arrival of new products on the market and make use of the most cutting-edge technologies. FIGEAC AÉRO must also work closely with its export clients and find new markets overseas.

The table below shows the different types of capitalised projects:

Process	Company involved
R&D in machining processes for structural parts	Figeac Aero/FGA Auxerre
R&D in machining processes for precision parts	Figeac Aero
R&D in machining processes for hard metal parts	Figeac Aero
R&D in sheet metal manufacturing processes	SN Auvergne Aero
R&D in sub-assembly processes	Figeac Aero
Other processes	MBI/MTI/Tofer

The Group is in the process of upgrading its IT system; the costs of this project are capitalised.

FIGEAC AÉRO Group's R&D expenditure is substantial. Its pro-active R&D policy in France entitled it to a research tax credit and significant subsidies (research tax credit of €2.1 million in 2018 versus €2.22 million in 2017).

In 2019, its total R&D expenditure represented 6.30% of its revenue versus 6.89% in 2018. This expenditure is evidence of the Group's commitment to innovation in response to market demand.

1.2.4 Property, plant and equipment

(€ thousands)

	Mar-18	Mar-19					
Property, plant and equipment	**Year start**	**Increase**	**Decrease**	**Item to item transfer**	**Translation differential**	**Change in consolidation scope**	**Year end**
Gross values							
Land	5,174	594	-84	0	167	0	5,851
Buildings	71,308	3,483	-10	2,335	525	0	77,641
Buildings - finance leases	5,011	0	0	0	0	0	5,011
Plant machinery, equipment & tools	106,205	16,065	-2,426	6,523	458	0	126,825
Plant machinery, equip. & tools – fin. leases	94,292	12,386	-3,710	0	10	0	102,977
Fixtures & fittings	11,157	3,322	-41	2,028	-62	0	16,403
Transport equipment	409	17	0	0	2	0	429
Office & IT equipment	5,153	852	-400	55	-34	0	5,626
Office & IT equipment - finance leases	2	0	0	0	0	0	2
Other property, plant and equipment	673	95	0	0	7	0	775
Property, plant and equipment in progress	18,604	21,297	-11,092	-10,941	9	0	17,876
Advances/property, plant and equipment	1,555	531	0	0	-1	0	2,085
Gross property, plant and equipment	***319,544***	***58,642***	***-17,763***	***0***	***1,081***	***0***	***361,501***
Amortisation							
Land - amortisation	-764	-50	0	0	0	0	-814
Buildings - amortisation	-14,663	-3,638	9	2	-65	0	-18,353
Buildings - finance leases - amortisation	-3,565	-606	0	0	0	0	-4,172
Plant machinery, equipment & tools – amort.	-53,140	-15,164	568	0	-68	0	-67,805
Plant mach., equip. & tools - fin. leases - amort.	-33,137	-12,750	4,196	0	-2	0	-41,693
Fixtures & fittings - amortisation	-6,120	-1,558	12	0	7	0	-7,658
Transport equipment - amortisation	-282	-55	0	0	-1	0	-338
Office & IT equipment - amortisation	-3,311	-731	100	-1	18	0	-3,925
Office & IT equipment - fin. leases - amort.	0	0	0	0	0	0	0
Other property, plant and equip. - amort.	-17	-16	3	0	-1	0	-32
Prop., plant and equip. in progress - dep.	0	0	0	0	0	0	0
Advances/property, plant and equip. - dep.	0	0	0	0	0	0	0
Amort./dep. of property, plant & equip.	***-115,000***	***-34,568***	***4,888***	***0***	***-112***	***0***	***-144,790***
Net values							
Land	4,409	544	-84	0	167	0	5,036
Buildings	56,646	-155	-1	2,337	460	0	59,287
Buildings - finance leases	1,446	-606	0	0	0	0	840
Plant machinery, equipment & tools	53,065	901	-1,858	6,523	390	0	59,021
Plant machinery, equip. & tools - fin. leases	61,155	-364	486	0	8	0	61,284
Fixtures & fittings	5,037	1,764	-29	2,028	-55	0	8,745
Transport equipment	127	-38	0	0	1	0	90
Office & IT equipment	1,842	121	-300	54	-16	0	1,701
Office & IT equipment - finance leases	2	0	0	0	0	0	2
Other property, plant and equipment	655	78	3	0	6	0	743
Property, plant and equipment in progress	18,604	21,297	-11,092	-10,941	9	0	17,876
Advances/property, plant and equipment	1,555	531	0	0	-1	0	2,085
Property, plant and equipment	***204,544***	***24,072***	***-12,875***	***0***	***966***	***0***	***216,711***

Property, plant and equipment given as guarantees are described in Section 1.2.25 in the notes to the consolidated financial statements.

The largest acquisitions included:

- the acquisition of the building in which Atelier Tofer operates (€1,155 thousand), building fixtures: Figeac-Aero (€332 thousand), FGA Tunisia (€680 thousand), FGA Mexico (€928 thousand)
- investment in production capacity (machining, turning and milling equipment; measurement equipment) by all the Group's companies, especially: Figeac Aero (€1,7930 thousand), FGA Auxerre (€1,572 thousand), FGA Tunisia (€1,297 thousand), FGA Morocco (€1,286 thousand), Mécabrive (€988 thousand), Casa Aero (€743 thousand), Figeac Aero North America (€663 thousand)

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

1.2.5 Non-current financial assets

(€ thousands)

Financial assets	Mar-18 Year start	Mar-19 Increase	Decrease	Translation differential	Change in consolidation scope	Year end
Gross values						
Non-consolidated investments	153	26	-100	0	0	79
Loans	1,153	193	0	0	0	1,346
Other financial assets	1,876	349	-3	-27	-50	2,145
Gross financial assets	***3,182***	***568***	***-103***	***-27***	***-50***	***3,570***
Depreciation						
Non-consolidated investments- depreciation	0	0	0	0	0	0
Other financial assets - depreciation	0	0	0	0	0	0
Depreciation of financial assets	***0***	***0***	***0***	***0***	***0***	***0***
Net values		0	0	0	0	
Non-consolidated investments	153	26	-100	0	0	79
Loans	1,153	193	0	0	0	1,346
Other financial assets	1,876	349	-3	-27	-50	2,145
Financial assets	***3,182***	***568***	***-103***	***-27***	***-50***	***3,570***

Other financial assets consist primarily of deposit guarantees for financing.

1.2.6 Inventory and work in progress

(€ thousands)	Mar-18 *	Mar-19				
Inventory and work in progress	**Year start**	**Net change**	**IAS 11**	**Translation differential**	**Change in consolidation scope**	**Year end**
Gross values						
Inventory of raw materials	41,030	-6,921	0	439	0	34,548
Inventory of other supplies	31,023	-2,048	0	-418	0	28,556
Works and services in progress	0	0	0	0	0	0
Production and services in progress	60,595	3,670	0	184	0	64,449
Construction contracts	0	0	0	0	0	0
Inventory of finished goods	47,727	10,859	0	157	0	58,743
Inventory - gross value	***180,375***	***5,560***	***0***	***362***	***0***	***186,297***
Provisions						
Inventory of raw materials - depreciation	-309	-398	0	-4	0	-710
Inventory of other supplies - depreciation	-29	1	0	0	0	-28
Works and services in progress - depreciation	-7	55	0	0	0	48
Inventory of prod. & services in progress - dep.	-1,812	-428	0	-6	0	-2,246
Inventory of finished goods - depreciation	-3,616	-1,467	0	-6	0	-5,089
Inventory - depreciation	***-5,773***	***-2,237***	***0***	***-16***	***0***	***-8,025***
Net values						
Inventory of raw materials	40,722	-7,319	0	435	0	33,837
Inventory of other supplies	30,994	-2,047	0	-418	0	28,528
Works and services in progress	-7	55	0	0	0	48
Production and services in progress	58,783	3,242	0	178	0	62,203
Inventory of finished goods	44,115	9,392	0	151	0	53,654
Inventory and work in progress	***174,603***	***3,323***	***0***	***346***	***0***	***178,272***

In gross value, inventory increased by €5.9 million in the year to March 2019 versus €21.1 million in the year to March 2018. In days of revenue, inventory represented 159 days in March 2019 versus 178 days in March 2018.

Pledged inventory appears in Section 1.2.25 “Guarantees on assets” in the notes to the consolidated financial statements.

1.2.7 Trade and other receivables

A breakdown of **trade and other receivables** is provided in the table below:

(€ thousands)

Breakdown of receivables	Year start (March-18)	Year end (March-19)	< 1 year	> 1 year
Advances & down-payments paid on orders	288	428	428	0
Trade and other receivables	95,565	85,150	85,150	0
Sundry debtors	17,641	16,706	16,706	0
Tax receivables	5,904	6,231	6,231	0
Prepaid expenses	2,833	3,594	3,594	
TOTAL	*122,231*	*112,109*	*112,109*	*0*

At 31 March 2019, trade receivables transferred to the factoring company amounted to €46.8 million versus €67 million at 31 March 2018. As the Group remains responsible for collecting the factored trade receivables, these receivables remain on the balance sheet as an asset.

At 31 March 2019, the payment schedule for undue and past due gross trade receivables (ageing analysis) was as follows:

(€ thousands)

Breakdown of receivables by due date	Year end (Mar-19)	< 6 months	6 to 12 months	> 12 months
Trade and other receivables	85,150	85,150		0
TOTAL	*85,150*	*85,150*	*0*	*0*

(€ thousands)

Breakdown of receivables by due date	Year end (Mar-18)	< 6 months	6 to 12 months	> 12 months
Trade and other receivables	95,565	95,565		0
TOTAL	*95,565*	*95,565*	*0*	*0*

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

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

1.2.8.1 Cash and cash equivalents

Changes in this item were as follows:

Mar-18 **Mar-19**

(€ thousands)

Cash and cash equivalents	Year start	Year end	Change
Marketable securities	18,023	115	-17,908
Available cash	89,883	122,302	32,419
Bank overdrafts			0
Cash and cash equivalents	107,906	122,418	14,511
Outstanding invoices	-67,003	-46,798	20,205
Bank overdrafts	-3,739	-2,669	1,070
Change in exchange rates			395
TOTAL	***37,165***	***72,951***	***36,181***

Bank facilities are included as “Financial liabilities < 1 year” in Current Liabilities. Bank facilities consist primarily of the collateralisation of a portion of the trade receivables portfolio through factoring.

Changes in cash and cash equivalents during the financial year are explained in Section 1.1.10 “Consolidated cash flow statement”.

1.2.8.2 Financial instruments at fair value through profit or loss

These include the following:

Hedging instruments are shown in the table below:

In thousands of euros (excluding tax effect), cumulative effect	*March-19*		*March-18*		*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 contracts and swaps	1,445		4,673	-2,687	-3,228
Options	-981	-936	8,915	2,609	-9,896
Accumulators		-13,343		-5,514	0
TARFs				-26	0
Faders					0
Total	***464***	***-14,279***	***13,588***	***-5,618***	***-13,124***

In thousands of euros (excluding tax effect)	March-19	March-18
Impact on income (loss) for the period	-8,661	11,558

A breakdown of unrealised gains and losses on financial instruments is provided in the table below:

En milliers d'euros (hors effet impôt)	mars-17	mars-16
Impact sur le résultat de la période	14 649	32 860

Unrealised gains & losses on financial instruments		€ thousands
Financial year	31/03/2019	31/03/2018
Income (loss) from forex hedging	-8,661	11,558
Income (loss) from interest rate hedging	-218	
Income (loss) from change in ORNANE option	4,049	4,800
Value adjustments	7	
Other reversals		310
Total	-4,824	16,668

In thousands of euros	March-19	March-18
Shareholders' equity - hedging instruments at year start	*10,268*	*-6,957*
Fair value adjustment of effective portion	-14,912	26,451
Reclassification to the income statement (1)	1,788	-1,488
Declassification of held-for-trading contracts - reversed into income		
Tax effect on changes during the financial year	4,068	-7,739
Shareholders' equity - hedging instruments at year end	*1,212*	*10,268*

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

❖ An analysis of the interest rate risk faced by FIGEAC AÉRO Group is described in Section 1.2.26 "Risk factors" in the notes to the consolidated financial statements.

FIGEAC AÉRO Group recognises its currency hedging instruments at fair value through profit or loss.

The impacts of this recognition through profit or loss are shown in the following table:

	March-19		March-18	
€ thousands	Fair value	Impact on income	Fair value	Impact on income
€/$ forex hedging instruments	-13,815	-8,661	7,970	11,558

1.2.9 Deferred tax

(€ thousands)

Deferred taxes	Mar-18 restated* Year end	Mar-19 Year end
Deferred tax assets	494	8,750
Deferred tax liabilities	-17,607	-14,649
Deferred taxes at year start	***-17,113***	***-5,899***
Deferred tax income (expense) for the period	-7,119	845
Change in deferred taxes recognised in shareholders' equity	18,292	4,082
Other	41	-24
Deferred taxes at year end	***-5,899***	***-996***
of which deferred tax assets	8,750	14,792
of which deferred tax liabilities	-14,649	-15,788

*The consolidated financial statements at 31 March 2018 were restated for the impact of the Group's retrospective application of IFRS 15 "Revenue from contracts with customers".

(€ thousands)

Deferred taxes	Mar-18 Year end	Impact of IFRS 15	Mar-18 restated* Year end
Deferred tax assets	494		494
Deferred tax liabilities	-17,607		-17,607
Deferred taxes at year start	***-17,113***		***-17,113***
Deferred tax income (expense) for the period	-7,119		-7,119
Change in deferred taxes recognised in shareholders' equity	-8,198	26,490	18,292
Other	41		41
Deferred taxes at year end	***-32,389***	***26,490***	***-5,899***
of which deferred tax assets	3,784	4,966	8,750
of which deferred tax liabilities	-36,173	21,524	-14,649

For the year ended March 2018, the Group measured the amount of deferred tax taking into account the deferred tax adjustment made following the adoption on 30 December 2017 of the 2018 Finance Law, which provides for a gradual reduction in France's corporate tax rate to 25% by 2022.

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

(€ thousands)	Mar/18 restated*	Mar/19
Analysis of deferred taxes	**Year end**	**Year end**
Accelerated depreciation	-198	-198
Leasing	-2 757	-3 838
Employee profit-sharing	0	0
Employee benefits	554	647
Valuation of tax losses carried forward	702	702
Tax timing differences	36	36
IFRIC 21	0	0
Subsidies	-254	87
Construction contracts	1 690	926
Financial instruments	-2 461	4 350
Finance leases	0	0
Provisions for currency losses	0	0
ORNANE bond	-1 206	-1 881
Revaluation of Auvergne Group	-1 906	-1 706
Other	-99	-120
Net deferred tax liabilities	***-5 899***	***-996***

(€ thousands)	Mar/18		Mar/18 restated*
Analysis of deferred taxes	**Year end**	**Impact of IFRS 15**	**Year end**
Accelerated depreciation	-198		-198
Leasing	-2 757		-2 757
Employee profit-sharing	0		0
Employee benefits	554		554
Valuation of tax losses carried forward	702		702
Tax timing differences	36		36
IFRIC 21	0		0
Subsidies	-254		-254
Construction contracts	-24 800	26 490	1 690
Financial instruments	-2 461		-2 461
Finance leases	0		0
Provisions for currency losses	0		0
ORNANE bond	-1 206		-1 206
Revaluation of Auvergne Group	-1 906		-1 906
Other	-99		-99
Net deferred tax liabilities	***-32 389***	***26 490***	***-5 899***

1.2.10 Financial assets and liabilities

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

- Level 1 category, 'market price": financial instruments that are 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 unobservable inputs": financial instruments measured using valuation techniques based for all or part on unobservable inputs; an unobservable input being defined as an input whose value is the result of assumptions or correlations that are based neither on transaction prices observable in the markets for the same instrument on the valuation date, nor on observable market data available on 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	Derivatives designated as hedging instruments	Total at 31/03/2019	of which assets measured at fair value
Non-current financial assets	3,572			3,572	
Financial instruments	0	2,326		2,326	
Trade and other receivables	85,150			85,150	
Other current assets	26,959			26,959	
Cash and cash equivalents	122,302	115		122,418	115
Total financial assets	***237,983***	***2,441***	***0***	***240,425***	***115***

(€ thousands)

Financial assets	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	115			115
Derivative financial instruments		2,326		2,326

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

At 31 March 2018, financial assets at fair value were classified as follows:

(€ thousands)

Financial assets	Loans & receivables at amortised cost	Financial assets at fair value through profit or loss	Derivatives designated as hedging instruments	Total at 31/03/2019	of which assets measured at fair value
Non-current financial assets	3,182			3,182	
Financial instruments	0	15,079		15,079	
Trade 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

1.2.10.2 Financial liabilities

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

(€ thousands)

Financial liabilities	Financial liabilities at fair value through profit or loss	Derivatives designated as hedging instruments	Other financial liabilities	31-Mar-19	Fair value
Loans from credit institutions (1)			267,401	267,401	267,401
Borrowings - finance leases			60,534	60,534	60,534
Repayable advances			22,946	22,946	22,946
Other financial liabilities			5,221	5,221	5,221
Factoring			46,798	46,798	46,798
Derivative financial instruments (2)	16,360		851	17,211	17,211
Trade and other payables			134,445	134,445	134,445
TOTAL FINANCIAL LIABILITIES	***16,360***	***0***	***538,196***	***554,556***	***554,556***

(1) o/w €93,080 thousand concerns the ORNANE bond component

(2) €851 thousand represents the fair value of the derivative component of the ORNANE bond at 31 March 2019

Fair value is close to the value recognised in the consolidated financial statements with respect to financial liabilities.

	Level 1	Level 2	Level 3	Fair value
Derivative financial instruments		17,211		

At 31 March 2018, financial liabilities at fair value were classified as follows:

(€ 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***

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

1.2.11 Financial debt

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

(€ thousands)

Financial liabilities	Mar-18 Year start	Mar-19 Increase	Decrease	First consolidation	Other movements	Year end	< 1 year	1 to 5 years	> 5 years
Loans from credit institutions	200,751	106,890	-41,392	0	1,152	267,401	19,157	214,824	33,420
Borrowings - finance leases	63,224	14,056	-16,772	0	27	60,534	16,848	33,664	10,022
Repayable advances	27,066	2,425	-6,546	0	0	22,946	6,514	16,432	0
Total	*291,041*	*123,371*	*-64,710*	*0*	*1,179*	*350,881*	*42,520*	*264,920*	*43,442*

(€ thousands)

Other financial liabilities	Mar-18 Year start	Mar-19 Increase	Decrease	First consolidation	Other movements	Year end	< 1 year	1 to 5 years	> 5 years
Other financial liabilities	3,739	0	1,070	0	0	2,669	2,669	0	0
Other liabilities	13,191	836	11,442	0	-33	2,552	836	1,716	0
Total	*16,930*	*836*	*-12,512*	*0*	*-33*	*5,221*	*3,505*	*1,716*	*0*

Bank loans and overdrafts are generally granted for a term of one year and are renewable in the middle of a financial year. They are impacted by the amount of trade receivables financing (Dailly assignments of receivables, discounted bills not yet due and factoring): €46.7 million at 31 March 2019 versus €67 million at 31 March 2018.

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

	31-03-19			31-03-18		
€ thousands	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
Loans from credit institutions	145,232	122,169	267,401	140,308	60,443	200,751
Various financial liabilities	2,552	0	2,552	13,191	0	13,191
Financial liabilities - finance leases	58,885	1,649	60,534	60,069	3,155	63,224
Bank loans and overdrafts	0	2,669	2,669	0	3,739	3,739
Factoring	0	46,798	46,798	0	67,002	67,002
TOTAL	*206,669*	*173,285*	*379,954*	*213,568*	*134,339*	*347,907*
Percentage of total	*54%*	*46%*		*61%*	*39%*	

The Group arranged interest rate hedges to protect it against a sharp rise in the benchmark index. The amount of capital thus guaranteed was €60.5 million, i.e. 35% of the amount of variable-rate debt.

The impact of a +/- €0.05 variation in the average 3-month Euribor rate during the financial year on the Group's net income would have been +/- €618 thousand.

All **covenants** on bank loans and overdrafts must be audited annually at each end of period. They apply to 25% of borrowings, i.e. €95.4 million.

Covenants at 31 March 2018 are described in the table below:

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 / Shareholders' equity < 2.2 Net debt / Ebitda < 4.4 Ebitda / debt servicing > 1.4	CFS CFS CFS	C C C
Total		***18,250***				

Covenants at 31 March 2019 are described in the table below:

Loans subject to a covenant				Covenant		Compliance (3)
Category (1)	Year of subscription	Balance at 31/03/2019 in € thousands	Final maturity	Ratios	Calculation basis (2)	March 2019
Loans L	2,018	95,380	July 2024	Net debt / Ebitda < 4	CFS	C
Total		***95,380***				

(1) L = Loan

(2) CFS = Consolidated financial statements

(3) C = Compliant

Ratios are calculated based on amendments in force at 31 March 2019.

With respect to the EBRD loan, undrawn at 31 March 2019, the Company obtained a waiver exempting it from having to produce covenant reporting at that date.

The guarantees given on loans and financial 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 support its business activity and increase shareholder value.

To maintain or adjust the structure of its shareholders’ equity, the Group may propose to pay shareholder dividends or carry out further capital increases.

The main ratio monitored by the Group to manage its shareholders’ equity is the debt/equity ratio.

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

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

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

In the previous financial year, Figeac Aero set up a bonus issue plan (new shares to be issued). This is a Group plan since it involves the employees not only of the issuing entity (Figeac Aero) but also of MTI, Mecabrive and FGA Picardie. Under the plan, 54,888 new shares could potentially be granted to employees. The number of shares granted on 6 November 2017 under the plan was 51,936. It should be noted that Jean-Claude Maillard was not granted any free shares.

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

This expense is calculated based on the fair value of the equity allocated (the market price of these shares) on the grant date (price on 29 February 2016) and must be spread out over the vesting period (2 years).

Employee ownership of the Company’s share capital stood at 0.31% at 31 March 2019.

The number of shares changed over the financial year as follows:

	Number	Nominal value
Shares outstanding at year start	31,839,473	0.12
Shares outstanding at year end	31,839,473	0.12

At 31 March 2019, the Share Capital consisted of 31,839,473 shares, of which 24,075,823 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 implementing a liquidity contract for its shares as part of a contract that complies with the Code of Ethics of the AMAFI (French association of financial markets). This contract aims to promote trading liquidity and the regular trading of shares as well as avoid share price timing differences that are not justified by market trends.

Some €500,000 was allocated to this liquidity contract when it was signed; this amount was increased by €1,500,000 in December 2017, bringing the total to €2,000,000.
At 31 March 2019, the Company held 67,577 treasury shares acquired solely as part of this contract.

The Combined General Meeting of 29 September 2017 authorised the Board of Directors, for a duration of 24 months starting on that date, 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 Regulation.

The Company implemented this share buyback programme from 16 April 2018 to 25 June 2018; by 31 March 2019, the Company held 59,820 treasury shares acquired solely as part of this contract.

The Combined General Meeting of 21 September 2018 authorised the Board of Directors, for a duration of 18 months starting on that date, to carry out transactions on Company shares as part of another 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 Regulation.

The Company implemented this share buyback programme starting from 14 January 2019; by 31 March 2019, the Company held 138,972 treasury shares acquired solely as part of this contract.

The share price at 31 March 2019 stood at €12.22; it was €16.76 on 31 March 2018.

1.2.13 Earnings per share

1.2.13.1 Basic earnings per share

At 31 March 2019, basic earnings per share were calculated on the basis of consolidated income for the period attributable to Group shareholders. The elements used in the calculation are as follows:

(€ thousands)	Mar-18 restated*	Mar-19
	Year start	**Year end**
Consolidated income (loss) attributable to Group shareholders	***21,753,000***	***10,844,000***
Weighted average number of shares	31,809,177	31,839,473
Treasury shares held at year end	78,367	266,369
Weighted average number of shares	***31,730,810***	***31,573,104***
Basic earnings per share	***0.69***	***0.34***

Number of treasury shares:	March 2019 **Year end**
Liquidity contract	67,577
Share buyback plan	198,792
Total number of treasury shares	***266,369***

1.2.13.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2019 was carried out based on consolidated income for the period attributable to Group shareholders. No adjustment was made to this income figure. The weighted average number of potential ordinary shares for the period was 31,573,104.

(€ thousands)	March 2018 restated* Year start	March 2019 Year end
Weighted average number of potential shares		
Weighted average number of ordinary shares	31,730,810	31,573,104
Impact of stock option plans	0	0
TOTAL	31,730,810	31,573,104
Diluted earnings per share	***0.69***	***0.34***

1.2.14 Provisions

The change in provisions was as follows:

(€ thousands) Provisions	Mar-18 Year start	Mar-19 Allocations	Reversals used	Reversals not used	Translation differential	Change in consolidation scope	Year end
Provision for litigation	1,548	166	-366	0	15	0	1,363
Provision for loss-making contracts	4,429	173	-1,191	0	0	0	3,411
Other provisions	354	20	0	0	10	0	384
Total provisions	***6,331***	***359***	***-1,557***	***0***	***-25***	***0***	***5,158***

Other non-current provisions mainly consisted of:

- Provisions for labour litigation: €906 thousand
- Provisions for customer litigation: €457 thousand

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

- Provisions for losses on contract completion: €3,411 thousand

Loss-making contracts are subject to a provision for losses on completion.

EMPLOYEE BENEFITS: provisions for retirement and service awards

Pursuant to IAS 19 “Employee benefits”, the purpose of the provision for pensions recognised as liabilities in the balance sheet is to record the pension benefits of employees vesting at the end of the period. The full amount of pension liabilities is provisioned and not hedged by dedicated plan assets.

During the 2019 financial year, provisions for pensions and other long-term employee benefits increased by €230 thousand to €2,086 thousand at 31 March 2019. This increase in provisions was attributable to:

- service cost: €160 thousand
- financial cost: €25 thousand

The other calculation assumptions made were as follows:

- a retirement age of 67
- an average salary increase rate of 1.5%
- mortality table: INSEE 2018 (see below)

Age	20 years	30 years	40 years	50 years	60 years	65 years
Men’s mortality table	99,287	98,646	97,638	95,322	89,519	84,559
Women’s mortality table	99,478	99,243	98,796	97,571	94,681	92,335

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

Age	20 years	30 years	40 years	50 years	60 years	65 years
Low turnover rate	14.19%	6.99%	5.38%	4.21%	4.14%	0.00%
High turnover rate	15.41%	12.56%	7.43%	9.08%	5.81%	0.00%

A sensitivity analysis of changes in the discount rate shows that:

- a change of +0.5% in the rate would have a positive impact of €192 thousand on consolidated income;
- a change of -0.5% in the rate would have a negative impact of €171 thousand on consolidated income.

Provisions for pension liabilities stood at:	**2018**	**2017**
For all the Group’s French subsidiaries	€1,856 thousand	€2,991 thousand

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

- at 31 March 2016 €2,026 thousand
- at 31 March 2015 €1,998 thousand

Pension provisions at the closing date of the next financial year (31/03/2020) should amount to approximately €2,295 thousand.

Retirement benefit payments made during the 2019 financial year were non-significant.

1.2.15 Other current debt

A breakdown of **other current debt** is provided in the table below:

(€ thousands)

	Mar-18	Mar-19			
Other current liabilities	**Year start**	**Year end**	**< 1 year**	**1 to 5 years**	**> 5 years**
Trade payables	78,081	89,708	89,708	0	0
Liabilities on fixed assets and related accounts	3,085	2,434	2,434	0	0
Trade and other payables	**81,165**	**92,142**	**92,142**	0	0
Advances and down-payments received on orders	1,154	1,056	1,056	0	0
Social security liabilities	22,278	21,408	21,408	0	0
Other current liabilities	2,958	3,855	3,855	0	0
Other current liabilities	**26,390**	**26,319**	**26,319**	0	0
Tax liabilities	14,161	14,654	14,654	0	0
TOTAL	***121,716***	***133,115***	***133,115***	***0***	***0***

1.2.16 Revenue

By business segment	Mar-18 * Year end	Mar-19 Year end	Change
Production of structural parts for the aerospace industry	326,338	372,285	14.08%
General engineering and sheet metal manufacturing	7,255	15,475	113.30%
On-site assembly	10,917	9,774	-10.47%
Machining and surface treatment	26,195	30,422	16.14%
TOTAL	*370,705*	*427,956*	*15%*

By region	Mar-18 * Year end	Mar-19 Year end	Change
FRANCE	324,550	364,670	12.36%
EXPORT	46,155	63,286	37.12%
TOTAL REGIONS	*370,705*	*427,956*	*15%*

1.2.17 Business segments

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

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

In March 2019, the key indicators for each business segment were as follows:

(€ thousands) — March 2019

BUSINESS SEGMENTS	TOTAL	Aerostructures	%	On-site assembly	%	Precision machining and surface treatment	%	General engineering and sheet metal manufacturing	%
Revenue	427,956	372,285	86.99%	9,774	2.28%	30,422	7.11%	15,475	3.62%
Other income from operations	3,318	3,216	96.93%	65	1.97%	10	0.30%	27	0.81%
Change in inventory of WIP and finished goods	10,776	10,936	101.48%	-89	-0.82%	-112	-1.04%	41	0.38%
Purchases used in production	-234,782	-213,896	91.10%	-1,431	0.61%	-11,744	5.00%	-7,711	3.28%
Personnel expenses	-96,528	-72,990	75.62%	-6,276	6.50%	-12,669	13.12%	-4,593	4.76%
External charges	-35,062	-28,102	80.15%	-1,217	3.47%	-3,348	9.55%	-2,395	6.83%
Duties and taxes	-5,969	-4,689	78.56%	-242	4.06%	-418	7.00%	-620	10.39%
Depreciation and amortisation	-35,840	-32,286	90.08%	-525	1.46%	-2,267	6.33%	-762	2.13%
Net provisions	-1,034	-895	86.56%	-137	13.28%	69	-6.67%	-71	6.82%
Current operating income	***32,835***	***33,578***	***96.81%***	***-77***	***-0.23%***	***-57***	***-0.17%***	***-609***	***-1.85%***
	7.67%	***9.02%***		***-0.79%***		***-0.19%***		***-3.94%***	
Other operating income	1,066	125	58.29%	190	13.74%	680	38.97%	71	4.05%
Other operating expenses	-3,464	-2,340	72.66%	-61	1.48%	-863	24.91%	-200	5.77%
Operating income	***30,437***	***31,363***	***103.04%***	***52***	***0.17%***	***-240***	***-5.19%***	***-738***	***-2.42%***
Realised financial gains/losses	***-13,025***	***-12,711***	***98.57%***	***-107***	***0.49%***	***-111***	***0.51%***	***-96***	***0.44%***
Unrealised financial gains/losses	***-4,824***	***-4,824***	***100.00%***	***0***	***0.00%***	***0***	***0.00%***	***0***	***0.00%***
Net income (loss) for the period	***10,840***	***12,080***	***111.44%***	***-55***	***-0.51%***	***-351***	***-3.24%***	***-834***	***-7.69%***
	2.53%	***3.24%***		***-0.56%***		***-1.15%***		***-5.39%***	
Total intangible assets	114,399	109,252	95.50%	81	0.07%	3,218	2.81%	1,847	1.61%
Total property, plant and equipment	216,711	180,919	83.48%	4,400	2.03%	26,789	12.36%	4,604	2.12%
Financial assets	3,572	3,340	93.49%	8	0.22%	133	3.74%	91	2.55%
Total fixed assets	***334,683***	***293,511***	***87.70%***	***4,489***	***1.68%***	***30,141***	***9.01%***	***6,542***	***1.95%***
Inventory and work in progress	180,382	163,206	90.48%	750	0.42%	12,272	6.80%	4,154	2.30%
Trade and other receivables	112,109	92,492	82.50%	2,174	1.94%	11,815	10.54%	5,628	5.02%
Trade and other payables	-140,502	-123,946	88.22%	-1,748	1.24%	-6,578	4.68%	-8,231	5.86%
Debt	-352,988	-343,756	97.38%	-2,262	0.64%	-4,220	1.20%	-2,749	0.78%

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

(€ thousands) March 2018 *

BUSINESS SEGMENTS	TOTAL	Aerostructures	%	On-site assembly	%	Precision machining and surface treatment	%	General engineering and sheet metal manufacturing	%
Consolidated revenue	370,705	326,338	88.03%	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 inventory of WIP and finished goods	5,750	6,340	110.26%	-229	-3.98%	-201	-3.50%	-160	-2.78%
Purchases used in production	-187,528	-172,775	92.13%	-1,346	0.72%	-10,733	5.72%	-2,674	1.43%
Personnel expenses	-94,313	-72,589	82.74%	-7,444	7.89%	-11,224	11.90%	-3,056	3.24%
External charges	-34,695	-28,706	82.80%	-1,041	2.99%	-4,228	12.13%	-720	2.07%
Duties and taxes	-6,337	-5,059	79.83%	-342	5.40%	-622	9.82%	-314	4.96%
Depreciation and amortisation	-30,890	-27,929	90.41%	-356	1.15%	-1,933	6.26%	-672	2.18%
Net provisions	227	47	20.70%	6	2.63%	1	0.44%	173	76.21%
Current operating income	***26,134***	***28,730***	***107.06%***	***246***	***0.67%***	***-2,682***	***-7.29%***	***-162***	***-0.44%***
	7.05%	***8.80%***		***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	***23,404***	***26,012***	***111.14%***	***120***	***0.51%***	***-2,480***	***-10.60%***	***-249***	***-1.06%***
Realised financial gains/losses	***-12,333***	***-11,828***	***95.91%***	***-121***	***0.98%***	***-379***	***3.08%***	***-5***	***0.04%***
Unrealised financial gains/losses	***16,668***	***16,668***	***100.00%***	***0***	***0.00%***	***0***	***0.00%***	***0***	***0.00%***
Net income (loss) for the period	***21,752***	***24,996***	***114.91%***	***-11***	***-0.05%***	***-2,887***	***-13.27%***	***-346***	***-1.59%***
	5.87%	***7.66%***		***-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 fixed assets	***293,687***	***259,556***	***88.38%***	***4,716***	***1.61%***	***23,724***	***8.09%***	***5,691***	***1.94%***
Inventory 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%
Debt	-303,372	-292,012	96.26%	-2,580	0.85%	-4,553	1.50%	-4,227	1.39%

1.2.18 Income tax

A breakdown of the Group's **income tax** is as follows:

(€ thousands)

Corporate income tax	Mar-18 Year start	Mar-19 Year end
Tax due	555	2,488
Change in deferred taxes	7,119	-845
Apprenticeship tax credit	0	0
Provision for taxes	469	105
Net tax expense	***7,615***	***1,747***

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

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

Deferred taxes are described in Section 1.2.9 "Deferred tax" of the notes to the consolidated financial statements.

(€ thousands)

€ thousands	March-19 Year end
-	
Income (loss) of consolidated companies before income tax and goodwill amortisation	12,587
Income tax rate applicable to the parent company	33.00%
Theoretical tax expense	4,154
Effective income tax expense	1,747
DIFFERENCE BETWEEN THEORETICAL / EFFECTIVE INCOME TAX	***2,407***
Impact of rates applicable to foreign subsidiaries which differ to the French tax rate	1,281
Unactivated tax losses	-868
Share of fees and charges on Group dividends	
Impact of permanent differences	
Tax credits (CICE & CIR)	2,517
Other items that are non-deductible / non-taxable locally	-222
Impact of differences in tax rates	-61
Other	-241
TOTAL	***2,407***

1.2.19 Other income from operations

Other income from operations is shown in the table below:

(€ thousands)

Other income from operations	Year start (Mar-18)	Year end (Mar-19)	Change
Other income from operations	**3,214**	**3,318**	**3.24%**
Capitalised production	0	0	
Research tax credit	2,605	2,956	13.49%
Operating subsidies	277	288	3.75%
Other income from operations	332	74	0.00%
Total	***3,214***	***3,318***	***3.24%***

1.2.20 Other operating income and expenses

Other operating income and expenses are shown in the table below:

(€ thousands)

Other operating income and expenses	Year start (Mar-18)	Year end (Mar-19)
Other operating income	**1,381**	**1,066**
Other non-recurring income	1,381	435
Reversals of non-recurring liabilities and charges	0	631
Total	***1,381***	***1,066***
Other operating expenses	**-4,111**	**-3,464**
Allocations for non-recurring liabilities and charges	0	-370
NBV of assets sold (1)	-2,738	-622
Other non-recurring expenses	-1,373	-2,472
Total	***-4,111***	***-3,464***

(1) Proceeds from disposals amounted to €8,523 thousand.

Other main items of non-recurring income in 2019:

Other non-recurring income:

- tax deductions: €202 thousand
- other income: €233 thousand

Other non-recurring expenses:

- fiscal and social: €1,246 thousand following a customs control performed over the year
- customer penalties: €504 thousand
- other: €722 thousand

1.2.21 Cost of net debt

The cost of debt is shown in the table below:

(€ thousands)

Cost of debt	Year start (Mar-18)	Year end (Mar-19)
Interest and financial expenses	6,231	9,874
of which interest on borrowings	4,257	5,510
Other financial income	-99	-141
of which income on financial instruments	0	0
of which expenses on financial instruments	0	0
Cost of net debt	*-6,132*	*-9,733*

The average debt rate stands at 2.70% versus 2.03% the previous financial year.

1.2.22 Transactions with related parties

Related parties of the FIGEAC AÉRO Group are defined in accordance with IAS 24 and are presented below with details of the transactions carried out during the 2019 financial year.

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

1.2.22.1 With MP Usicap

❖ Permanent services cover the following areas:

- machining services for aerospace parts,
- legal, accounting and administrative assistance.

The 2019 **figures** are as follows:

(€ thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	2,528	-696	130	50

No particular benefit was granted as part of this agreement.

1.2.22.2 With Avantis Engineering

❖ Permanent services cover the following areas:

- programming services for production equipment,
- sub-assembly study services.

The 2019 **figures** are as follows:

(€ thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	81	-92	3	3

No particular benefit was granted as part of this agreement.

1.2.22.3 With subsidiaries

These are companies included in the Group's consolidation scope (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 can be of different types:

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

1.2.22.4 With members of management bodies

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

By Figeac Aéro:

€	March 2019	March 2018
Remuneration of corporate officers of which		
Fixed	102,000	96,000
Variable		
Exceptional		
Benefits in kind (company car)	2,146	2,123
Other remuneration of non-executive corporate officers		
Directors' fees	30,000	50,000
Total	**134,146**	**148,123**

To date, there are no stock option plans underway at Figeac Aéro S.A. or any other Group company.

1.2.23 Workforce

In number of employees	Year start (March 2018)	Year end (March 2019)
Headcount - France	1,883	1,967
Headcount - outside France	1,246	1,487
TOTAL	*3,129*	*3,454*

The headcount at FGA Mexico is not included in this figure as the staff are employed by the shelter programme.

A breakdown of the workforce by business segment at 31 March 2019 is as follows:

In number of employees	Managers	Non-managers	Total
Aerostructures	286	2,630	2,916
On-site assembly	8	110	118
Machining and surface treatment	30	273	303
General engineering and sheet metal manufacturing	21	96	117
TOTAL	*345*	*3,109*	*3,454*

1.2.24 Off-balance sheet commitments

Commitments received:

(€ thousands)

€ thousands	Year start (March-18)	Year end (March-19)
Commitments received		
BPI France guarantee	39,268	60,009
TOTAL	*39,268*	*60,009*

Asset guarantees:

(€ thousands)	Mar-18				Mar-19			
€ thousands	FIGEAC AERO	MECABRIVE	SCI REMSI	MTI	FIGEAC AERO	MECABRIVE	SCI REMSI	MTI
Investments in consolidated companies	1,800	0	0	0	1,400	0	0	0
Pledged claims	0	0	0	0	0	0	0	0
Pledged tax credits (CIR & CICE)	2,299	476	0	0	2,299	476	0	0
Pledged inventory	18,250	0	0	0	0	0	0	0
Other pledged receivables	0	0	0	1,038	0	0	0	1,038
Pledged equipment	0	0	0	0	0	0	0	0
Mortgages/Pledges (land/buildings)	18,993	0	2,598	0	18,727	0	2,385	0
TOTAL	*41,342*	*476*	*2,598*	*1,038*	*22,426*	*476*	*2,385*	*1,038*

Commitments for operating leases:

operating leases mainly involve leases for industrial equipment.

At 31 March 2019, future minimum payments for these operating leases were as follows:

Total lease payments in € thousands	< 1 year	1 to 5 years	> 5 years	Total
Industrial equipment	666	1,087	102	1,855

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

Total lease payments in € thousands	< 1 year	1 to 5 years	> 5 years	Total
Industrial equipment	698	852	24	1,574

The above information does not cover:

- outstanding finance leases, which are covered in the “Financial debt” section in the notes to the consolidated financial statements;
- interest on loans, which is covered in the “Financial debt” section in the notes to the consolidated financial statements;
- commitments to forward forex sales and interest rate swaps, which are covered in Section 1.2.8.2 “Financial instruments at fair value through profit or loss” in the notes to the consolidated financial statements.

1.2.25 Risk factors

FIGEAC AÉRO Group reviews the risks that could have a significant adverse impact on its business, financial position, results and ability to meet its targets. This paragraph outlines the relevant and significant risk factors that have been identified as of the date of publication of the Registration Document. The FIGEAC AÉRO Group believes there are no other significant risks other than those presented below.

1.2.25.1 Legal and tax risks

To the best of our knowledge, there are no legal or tax risks relating to the regulatory environment and/or execution of contracts that are likely to have, or that have had over the last twelve months, a significant impact on the Group's financial position or profitability. The Group has an internal legal department and it also resorts to external firms for specialist advice on any matter that requires it.

1.2.25.2 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 governed by an operating licence issued by a prefectural order dated 26 October 2011, and likewise for the Mécabrive site which is governed by an operating licence dated 28 October 1992. Moreover, notification of a facility classified for environmental protection, as provided for in Book V - Title 1 of the French Environmental Code, was submitted 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 prefectural order dated 5 July 2010 and a supplemental prefectural order dated 27 September 2011. These orders cover all on-site facilities classified for environmental protection, and their validity is tied to the types of operations performed at the site. As a result, all of the site's activities are monitored by a classified facility inspector reporting to the DREAL (regional directorate for the environment, development and housing) of the Auvergne Rhône Alpes region. SNAA has a person is in charge of monitoring environmental and regulatory issues.

Figeac Aero Auxerre and Atelier Tofer are subject to authorisations.

The Group monitors environmental protection in its production operations and believes that the negative impacts of these activities are limited considering its policies for managing water, energy and waste. The Group's industrial and environmental policy aims to control the following key risks:

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

The Group's main companies have internal HSE units: 5 FTEs at FIGEAC AERO, 2 FTEs at FGA TUNISIA, 1 FTE at Mécabrive, 2 FTEs at SN Auvergne Aero, 1 FTE at Atelier TOFER, FGA Auxerre, MTI, FGA Morocco and CASA AERO.

This risk management policy includes continuous improvement of fire protection at 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 Company and responsible for:

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

Moreover, preventive measures against soil contamination at older sites consist mainly of monitoring campaigns in cooperation with local authorities as well as works carried out to bring sites up to current standards.

In this respect, most of the water consumed by the Group is linked to its use as a refrigerant in various industrial processes. However, the water is recycled, thereby limiting the amount of water used and the risk of groundwater pollution. In terms of waste, the Company sorts it according to category (metal waste, non-hazardous waste and hazardous waste). Metal waste is sold on 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 (BSD, *bordereau de suivi des déchets*). The Company works to reduce the volume of waste it produces, notably by limiting use of oils in its machines (involving a specialised company) and installing a compactor (for aluminium cutting).

Through the materials handling relating to its business activity, the Company may also be exposed to workplace accidents (by being held responsible and having to pay compensation). In 2013, to limit this risk, the Company implemented a "5S approach" and a Quick Response Quality Control (QRQC) procedure. These help to avoid accidents and improve management of the workplace (storage and sorting), access to it and the resolution of any problems that may arise. Since 2014, a prevention campaign has been rolled out to emphasise safety behaviour. The Continuous Improvement department participates in this campaign to promote safety at work.

When risks are identified, measures are introduced to eliminate or mitigate them. Each measure is followed up with a feedback assessment in order to verify that it is effective enough to protect employees. Two nurses and workplace emergency first responders are also on-site to contribute to prevention and to identify workstations posing risks to employees.

In its MTI subsidiary, the Group has also set up specific areas for storing or cleaning parts in order to limit the risks to safety in the workplace (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, changing regulations and increasingly stringent security and environmental standards may increase the costs of implementing such measures, which would have an impact on the Company's financial position. If the Company is unable to comply with laws or regulations relating to such risks, it may be held liable, whether in a civil or a criminal suit, which could have a negative impact on its business, financial position and reputation.

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

1.2.25.3 Credit and/or counterparty risks

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

- export customers are handled through factoring contracts and, for those that are not, the Group reviews their financial position annually;
- domestic customers are handled through factoring contracts;
- the Group monitors the financial positions of a small 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 finances.

A table showing a breakdown of trade receivables by maturity at 31 March 2019 is presented in Note 1.2.7.

The Group has little exposure to credit risk given the nature of its main counterparties and the solvency of its main customers. Revenue from its five largest customers accounts for 77% of overall revenue versus 74.53% the previous year. The largest customer in terms of revenue accounts for 23.5% of the Group's total revenue.

The Group foresees no default of a third party that could have a material impact on its unprovisioned past due assets.

Furthermore, each customer represents a significant percentage of its trade receivables, so 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 any one of its customers could have an impact on the Group's financial position and operating income. However, given the profile of its customer base (made up of large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems, which all have solid finances), the Group believes there is little risk of a financial default by a customer. Nevertheless, in its factoring contracts, the Group has insurance covering the risk of default of customers under those contracts.

1.2.25.4 Operational risks

A. Risks relating to changes in the economic environment

Assumptions made by the Group about macroeconomic conditions and aerospace programmes take into consideration the economic conditions observed on the date of this report, and are taken into account when preparing the budget and multi-year forecasts.

If economic conditions should worsen, assumptions and action plans would be adjusted according to the newly forecast production rates. An unfavourable economic environment would have an adverse impact on the Group's level of business activity. The global GNP trend (gross national product) has a direct impact on demand in the air transport sector, the latter determining the level of demand in the market for commercial aircraft for passenger transport. Manufacturers may adjust their production rates to changing levels of demand from airlines. This would have a direct impact on the original equipment activities of their aerospace equipment suppliers, including the Group.

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

The pace of orders follows cyclical trends linked to passenger demand for air transportation, seat occupancy rates, airline airfare policies and fuel costs. It also depends on the ageing and renewal of aircraft fleets, equipment procurement decisions, the financial health of airlines and, more generally, the development of international trade. A cycle is made up of a period of rapidly rising delivery rates, followed by a period of stability or even decline. The Group's activity is directly tied to the delivery rates of aircraft manufacturers, and any changes may have an impact on its level of business activity and affect its financial position.

Moreover, exceptional factors (terrorism, pandemics, air disasters, weather conditions, rising energy costs, industrial action, political instability) may have a significant, albeit temporary, effect on air traffic and, consequently, affect the aerospace equipment market.

However, certain characteristics of this market make it possible to mitigate the impact of significant economic fluctuations:

- the depth of current order books, in the region of nine years for aircraft seating over 100 passengers, mean that airlines have to accept extremely long delivery lead times;
- each airline has its own specific requirements for its fleet (as regards layout, wiring systems, etc.); consequently, any change to a manufacturer's aircraft production plans needs to be prepared several months in advance.

The short and medium-term visibility that aircraft manufacturers have in the sector is automatically passed on to their equipment subcontractors, of which the Group is one.

Thanks to the Group's production capacity, its staff's technical expertise and its compliance with stringent production quality standards, it 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 supply any given part or sub-assembly over the entire duration of a programme (i.e. thirty to forty years), as long as the quality of the parts it supplies remains compliant with the technical specifications.

C. Risk of programme and production delays

Aircraft manufacturers may encounter difficulties in complying with their programme schedules. Delays in production planning for new aircraft may mean that the Group has to hold inventory from studies and development for a longer period and postpone delivery, affecting the pace of revenue generation. Moreover, the sales and profitability assumptions made by the Group may in fact not materialise. Programme delays and postponements may therefore have a significant impact on the profit margin that was forecast at the time the Group's construction contracts were initially examined.

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 repayments are tied to deliveries actually made. The Group may also, from time to time, be called on to open negotiations with its customers that enable it to reduce this risk. These negotiations help to support and secure financing for the programmes concerned.

Moreover, a delay in the manufacturing of its products may also have a negative impact on the Group's business, financial position, results and reputation, it being specified that this risk is actually extremely low given the Group's OTD (On Time Delivery) ratio, which was 95% on average for the financial year ended 31 March 2019.

D. Risks relating to the quality control of products

The manufacturer is committed to delivering an aircraft that is airworthy. In the event of a defect, the Company, as a supplier, could be held responsible on the basis of its products.

What is more, the Group's companies are regularly audited by customers to verify the compliance of the products delivered. These audits cover the quality process (quality management system, compliance with the Group's quality standards, application of quality assurance plans, management of and compliance with manufacturing processes). Any shortcomings in compliance with the quality standards required by customers may (i) incur new expenses if corrective measures need to be taken, or (ii) have an unfavourable impact on the Group's business activity, commercial development and reputation if appropriate corrective measures are not taken.

The Group has only limited control over its partners, so it cannot guarantee that its subcontractors respect or will respect the quality standards its customers require or local applicable regulations.

In order to reduce these risks, the Group implements very stringent quality standards (choice of suppliers, internal quality control procedures), enabling it to ensure that the products delivered are reliable beyond reproach. The quality procedure in place at all the Group's companies is therefore ISO 9001 / EN 9100 certified (except for MTI, whose procedure is only ISO 9001 certified).

The Group has also taken out insurance cover for risks relating to its products. The Company believes that its current insurance cover (which meets customer requirements) is sufficient to face any possible legal action engaging its responsibility. If it were to be held liable and be unable to maintain appropriate insurance cover at an acceptable price or find means to protect itself against legal action engaging its responsibility relating to its products, this could significantly affect sales of its products and, more generally, have a negative impact on its business activity, results, financial position, development and growth prospects.

However, this risk is actually extremely low given the defect rate measured by the Company, which was 1,470 PPM on average over the financial year ended March 2019 (PPM: "Parts Per Million", a unit measuring the number of defective parts detected per million parts) versus 1,497 PPM for the financial year ended March 2018 .

E. Risk relating to raw materials

The Group is exposed to a raw materials risk for the following: aluminium accounting for 44% of the value of raw materials it buys (purchased as sheets and forged), titanium for 50% of the value of raw materials it buys (purchased as sheets and forged), and other metals for 6% of the value of raw materials it buys. In order to limit this raw materials risk, supplies are covered mainly by contracts arranged by customers (commodity bids or "combids", enablement contracts), allowing the Group to purchase raw materials from a supplier on financial and logistical terms previously negotiated by the customer. In addition, these supplies are secure since they are managed by the customer (production capacity booked directly with the suppliers).

On average, 76.3% of the value of raw materials purchased are bought under a combid scheme and therefore carry no price risk for the Group. Only 23.7% of Group purchases are carried out on the market.

Share of raw materials purchased under a combid scheme and on the market

Raw materials	*Share of purchases*	*Purchases made under a combid scheme*	*Purchases made outside combid schemes* (market)
Aluminium	44%	68%	32%
Titanium	50%	90%	10%
Other metals	6%	23%	77%
Total	**100%**	**76.3%**	**23.7%**

Consequently, the Group faces little risk of fluctuations in raw material prices (affecting only 23.7% of its purchases); in addition, such variations are covered by price revision clauses included in most of its contracts. Moreover, to prevent an increase in the price of raw materials from penalising its business activity or income, the Group informs its customers of said price increase and negotiates with them to take this increase into account prior to purchasing raw materials.

The Group is also exposed to a raw materials availability risk. Therefore, besides higher purchase prices, a shortage of raw materials could also have an impact on the Group's ability to source materials of sufficient quality and quantity. Delayed deliveries or poor quality of supplies purchased could create delays in the Group's manufacturing process and affect its business activity. In this regard, it should be noted that the Group has established a key supply security policy implemented by a Quality department with a staff of sixty and a Supplier Quality Assurance department with a staff of nine.

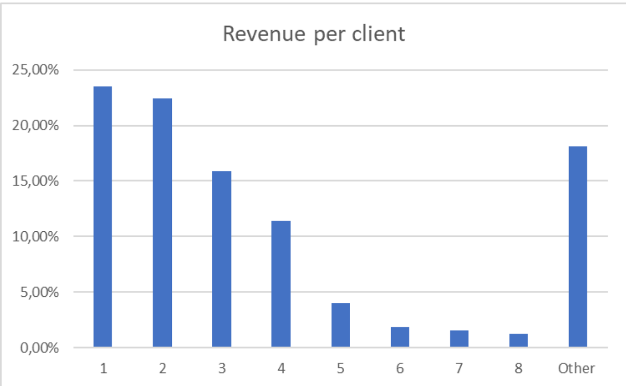
The Group is also unable to rule out the possibility that it might be left with unnecessary or obsolete inventory if deadlines are postponed or if changes are made to the definition of parts, which could have an adverse impact on its business activity. It should be noted, however, that provisions are set aside for such a risk. In a move aimed at reducing the financial burden of warehousing such raw materials, the Group set up a partnership with AMI Metals Inc. in June 2015 to outsource management of raw materials inventory.

F. Risk of dependency on certain customers

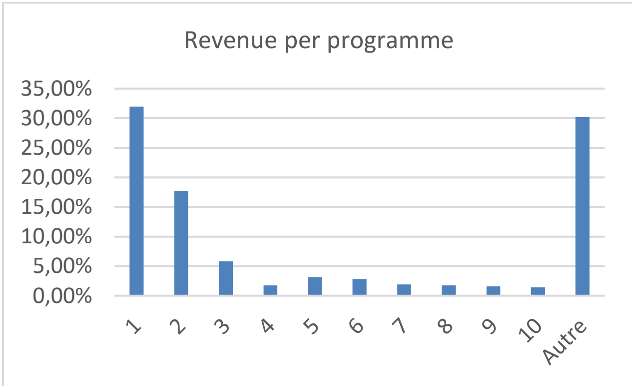
The Group's customer portfolio consists mainly of manufacturers. The share of revenue contributed by the Company's five biggest customers in the financial years ended 31 March 2017, 2018 and 2019 was, respectively, 62%, 74% and 77%, while the share of revenue contributed by the Company's ten biggest customers was, respectively, 75%, 80% and 85% (for the same periods).

Furthermore, the share of revenue contributed by the five largest aerospace programmes in which the Group is involved in the financial years ended 31 March 2017, 2018 and 2019 was, respectively, 65%, 64% and 61%, while the share of revenue contributed by the ten largest aerospace programmes was, respectively, 72%, 74% and 70% (for the same periods).

Main customers:



Main programmes:



(Source: Group at 31 March 2019)

The Group's main end customers are as follows:

- for aircraft seating over 100 passengers: Airbus and Boeing, which account for most of the global market, it being noted that 60% of the Group's revenue comes from its business with Airbus (vs. 60% the previous year) and 4.91% from Boeing programmes (vs. 4.09% the previous year);
- for regional jets: Bombardier, Embraer and ATR;
- for business jets: Dassault Aviation, Bombardier and Gulfstream;
- for aircraft engines: General Electric, Rolls Royce and Safran Engines (Safran Group).

Moreover, Figeac Aéro also works with the following equipment manufacturers: Stelia Aerospace, Safran Nacelles (Safran Group), Latécoère, Daher Socata, Spirit, Fokker and GKN. There is a risk that the Group might not be able to retain its main customers or expand its business relations, especially as a significant share of its revenue comes from a limited number of customers.

Furthermore, each customer represents a significant percentage of its trade receivables, so 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 any one of its customers could have an impact on the Group's financial position and operating income. However, given the profile of its customer base (made up of large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems, which all have solid finances), the Group believes there is little risk of a financial default by a customer. Nevertheless, in its factoring contracts, the Group has insurance covering the risk of default by customers under those contracts.

The loss of a significant customer, the non-renewal of a contract and the resulting significant drop in revenue could impact the Group's financial position and operating income. The Group's customers may cancel their orders, change order quantities or slow their production. The Group may be unable to predict demand for its products with any accuracy; as a result, it may not be able to use up its inventory or, conversely, it may not be able to deliver to its customers as planned.

G. Risk relating to the competitive nature of the aerospace industry

The aerospace industry is highly competitive. Aircraft manufacturers select their suppliers by establishing supplier panels based on the "key" areas of expertise required of them (a certified high-performance and high-quality system, as well as high-performance logistical and industrial facilities, and selection based on price); this greatly increases competition between suppliers, many of which are international players.

Supplier panels for the Group's customers are becoming more international; this, in theory, means they can aim for lower costs by using entities in "best cost" regions. In this regard, the Group has a best cost structure, covering over 37% of its workforce, for products that require the least engineering; it is therefore able to avoid any impact on its profit margins while still lowering its selling prices. However, as part of their "progress plans" (aimed at improving the supply chain), the Group's customers may also decide to streamline their supplier panels, which may have an inflationary effect.

The policy adopted by the Group's customers to narrow their supplier panels also requires the Group to provide ever more comprehensive services requiring full control over the supply chain. Currently, though, the Group subcontracts most of its surface treatment and painting services. Nevertheless, the group recently brought these activities in-house and the associated capabilities are now hosted by the Mécabrive (for small-sized parts), FIGEAC AERO AUXERRE and Wichita sites. The Morocco site also has potential capacity for surface treatment, which could give the Group a new competitive advantage when it comes to winning new contracts.

More generally, since the aerospace industry is global in scale, the Group is facing greater competition from newcomers to 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 production facilities that are able to meet manufacturers' requirements takes time and calls for significant financial resources to acquire high technology equipment and create an industrial setup in which 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 services 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 equally high transport costs to return manufactured parts or sub-assemblies to the assembly plants in Europe or the United States. Ecological restrictions will only raise these costs further in the future, while unit prices of manufactured parts and sub-assemblies are expected to decrease;

- it takes time for manufacturers to get their processes and quality, logistical and industrial procedures certified, and it requires significant financial and human resources.

Despite the fierce competition, the Group feels it has the necessary strengths to speed up its development and reinforce its current market position. In these circumstances, the Group is tireless in its efforts to maintain and develop its technological lead by investing heavily in research and development. The efforts made by the Group have been recognised by Airbus, which added Figeac Aéro to its panel of "detailed parts" suppliers made up of twenty companies that are essential to Airbus for these components.

Nevertheless, the Group cannot rule out the possibility that newcomers might move into the market and take up relevant positions, or that players already in the market might adjust their current strategies and gain significant market share, which could automatically reduce the Group's own market share.

H. Risk linked to technological progress

The aerospace industry is subject to rapid and significant technological progress. The Group cannot rule out the possibility that new technologies might emerge, resulting in the creation of new machining processes which may render its production facilities obsolete. Moreover, the Group is also exposed to the risk of competitors developing innovative products that perform better. If the Group's technology were to lag behind, it could affect its business activity and results.

Even if there is a risk that composite parts might gradually replace metallic parts, the portion of machined mechanical parts remains significant, including on new aircraft which tend to have a smaller portion of metallic components. Thus, while the Airbus A320 has almost no composite structures, about half of the Boeing 787 is made up of composite structures. The Airbus A350, which is the Group's largest programme in terms of revenue, also has a higher portion of composite structures than the Airbus A320.

Nevertheless, aircraft with a significant proportion of metallic parts will continue being produced over the coming decades since each aircraft's definition remains unchanged throughout its life cycle. The development of composite structures therefore represents an opportunity cost for the Group but will have no impact on its current order book. In any case, the Group does not rule out the possibility of eventually positioning itself in the composite market segment in order to eliminate its exposure to this risk.

3D printing is currently being applied to products that require extremely short lead times. This technology is not yet competitive enough to be applied to series parts production.

The arrival of new machining technologies (such as the development of composite structures or 3D printing) should have only a relatively minor impact due to the time required for such technologies to mature, thereby allowing the Group to integrate them without compromising its economic situation.

In order to limit this risk, the Group has set up a Technical Division in charge of monitoring technological progress and improving machining processes. The Group is also establishing an investment policy for research and development. However, since it is complex to develop new technologies and products and it requires significant investment over the long term, the Group may experience delays in completing these developments and may bring to market a technology that is already obsolete or one that a competitor has already successfully established on the market. The Group might also develop products based on a standard that may ultimately not be the one adopted by the industry. Furthermore, development costs may also be too high relative to the price at which the Group could market these products. These circumstances may have an adverse impact on the Group's business activity, financial position, results and reputation.

I. Geopolitical risk

The Group operates in 5 overseas countries accounting for over 40% of its workforce; this exposes the Group to political risk.

The Group strives to ensure that all overseas production can also be carried out either in other entities within the Group or within the network of subcontractors set up by the Group.

1.2.25.5 Liquidity risk

Because of its line of business and growth, the Group must finance a considerable production cycle where it may be required to strengthen its capital or resort to additional funding to secure its development. The production cycle is financed by transferring a portion of its trade receivables to factoring companies. At 31 March 2019, the amount of trade receivables under factoring contracts was €47 million. The Group is thus exposed to little risk in terms of trade receivables given the quality of its customers and the fact that factoring companies contractually limit the amount of payments outstanding for certain customers.

The Group will continue to have significant financing needs to develop its technologies and market its products. The Group might in the future not be able to finance its growth from its own resources, which would lead it to seek out other sources of financing, for instance by carrying out further capital increases.

The amount of financing needed and the way these requirements spread out over time depend on elements that are largely beyond the Group's control, such as:

- higher costs and slower progress than forecast for research and development programmes;
- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;
- costs incurred in response to technological developments in the industry and to secure the manufacturing and marketing of its products;

- new opportunities to develop new products or to acquire 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 on financial terms 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 force it to give up the rights to certain elements of its technology or certain of its products; or
- grant licences or sign agreements that may be less favourable than those it could have obtained in different circumstances.

Debt financing, when available, may furthermore impose restrictive conditions and be costly.

At 31 March 2019, a single loan was subject to a covenant (see Section 1.2.11). The Company's future capacity to refinance or repay its loans on the agreed terms will depend on its future operating performances. Non-compliance with contractual commitments (e.g. not repaying on time, request for a debt standstill agreement or an irremediably compromised situation) may lead to accelerated repayment of the loan amounts due; this may require negotiations to be opened with creditor banks, the outcome of which cannot be guaranteed. However, the likelihood of such an occurrence is extremely low.

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

The occurrence of one or more of these risks could have a significantly adverse effect on the business activity, financial position, results, development or outlook of the Company and of the Group.

The maturity of the Group's financial assets and liabilities at 31 March 2019 and 31 March 2018 is presented in Note 1.2.10.

The Company performed specific reviews of its liquidity risk and believes it is able to honour its payment terms for the next twelve months. The available cash reported as assets in the balance sheet stood at €122.4 million at 31 March 2019.

1.2.25.6 Market risks

A. Interest rate risk

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

  Exposure to interest rate risk relates to trade receivables financing and the financing of a portion of term debt. Interest is indexed to the Euribor rate. Only some of these positions (35% of outstandings) are hedged against a significant rise in this index, through an interest rate swap.

B. Currency risk

The Group's operating and financial income and liquidity are exposed to fluctuations in exchange rates and, primarily, to fluctuations in the euro/US dollar exchange rate. A significant share of the Group's revenue and payments to its suppliers is in US dollars, which is the benchmark currency used in the civil aerospace industry. The dollar exchange rate and associated currency risk are, consequently, among the assumptions made when determining the profit margin at completion for construction contracts. In addition, the Group also has trade receivables, trade payables, inventory and cash and cash equivalents in US dollars.

Fluctuations in the euro exchange rate relative to the US dollar (and, more generally, in the other currencies in which the Group pays its main production costs) may affect the Group's capacity to compete with its American competitors, as the prices of many products in the civil aerospace industry are set in US dollars.

The Group's revenue, costs, consolidated assets and liabilities denominated in currencies other than the euro are converted into euros when preparing its financial statements. Thus, changes in the value of these currencies relative to the euro, especially in the euro/dollar exchange rate, may have a significant impact on the euro value of the Group's revenue and income.

It is worth noting that 71% of the Group's 2018-2019 revenue was generated in US dollars.

At 31 March 2019, FIGEAC AERO had invoiced its customers $337.6 million (+15.22%) at 1.1638 US dollars per euro and purchased $126.8 million (+3%) from its suppliers.

In addition, the Group often enters into hedging arrangements in order to lessen its exposure to these fluctuations, and especially to adjust to changes in the euro/dollar exchange rate. It has thus arranged a currency risk hedging policy with its banks to protect its profitability and its cash and cash equivalents. This is described in detail in Note Q.

The Company's net income (loss) may structurally be greatly affected by gains or losses from its economic currency hedges and by fair value adjustments of its financial instruments due to:

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

- the volume of hedging: hedging arrangements amounted to a nominal $566 million for sales and $67 million for procurements at 31 March 2018, and $457 million for sales and $255 million for procurements at 31 March 2017;

- the average maturity of the hedging arrangements (2 to 4 years);

- potential euro / dollar exchange rate volatility.

Quantitative data obtained from an analysis of the Group’s exposure to currency risk are summarised below:

<table>
<tr><th>In thousands of euros</th><th>March-19</th><th>March-20</th><th>March-21</th></tr>
<tr><td>Trade receivables</td><td>57,586</td><td></td><td></td></tr>
<tr><td>Trade payables</td><td>-31,994</td><td></td><td></td></tr>
<tr><td>Cash and cash equivalents</td><td>19,605</td><td></td><td></td></tr>
<tr><td>Net exposure on the balance sheet</td><td>45,198</td><td></td><td></td></tr>
<tr><td colspan="2">Projected sales</td><td>381,892</td><td>389,267</td></tr>
<tr><td colspan="2">Projected procurements</td><td>145,119</td><td>147,922</td></tr>
<tr><td>Net exposure from projected transactions</td><td></td><td>236,773</td><td>241,346</td></tr>
<tr><td>Forward currency contract - CFH - nominal, short</td><td colspan="2">110,057</td><td>10,000</td></tr>
<tr><td>Forward currency contract - held for trading - nominal, short</td><td colspan="2">248,360</td><td>138,779</td></tr>
<tr><td>Sub-total of short hedging contracts</td><td colspan="2">358,417</td><td>148,779</td></tr>
<tr><td>Forward currency contract - CFH - nominal, long</td><td colspan="2">600</td><td>0</td></tr>
<tr><td>Forward currency contract - held for trading - nominal, long</td><td colspan="2">0</td><td>0</td></tr>
<tr><td>Sub-total of long hedging contracts</td><td colspan="2">600</td><td>0</td></tr>
<tr><td>Net short position on projected transactions</td><td colspan="2">-75,846</td><td>92,566</td></tr>
</table>

The average forward exercise price of the hedging instruments is as follows:

- 2019 / 2020: €1 = 1.1775
- 2020 / 2021: €1 = 1.1791

Sensitivity analysis of the euro / dollar exchange rate:

A single-figure change in the euro / dollar exchange rate would have an impact of €1.83 million on the financial position at 31 March 2019 (excluding the impact of foreign exchange contracts).

Lastly, the Group now has an operating subsidiary in the dollar zone (Figeac Aéro North America, located in Wichita, in the United States) and a facility in the dollar zone in Mexico, enabling it to be more competitive in US dollars and limiting to a slightly 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 established by the Company (266,369 treasury shares at 31 March 2019). The impact of exchange rate fluctuations is thus considered to be very low. Furthermore, the Group does not have an investment portfolio carrying shares or other financial instruments, and therefore considers that it is not exposed to equity market risk.

1.2.25.7 Legal risks

A. Risks linked to intellectual property

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

Since it was founded, the Group has been sure to invest heavily 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 approach to managing its industrial property, applying for patents for certain manufacturing processes.

However, despite the precautions taken, the Group might not be able to maintain adequate protection of its patents and, as such, may lose its technological and competitive advantage. The Group is unable to guarantee the outcome of its patent applications, which are subject to prior examination by the relevant intellectual property offices before any patent is issued. In addition, even if issued, patents can always be "anticipated" either by prior patent applications that had not yet been published or by prior invention disclosures.

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

In addition, the Group may face legal action accusing it of violating the intellectual property rights of third parties. Such legal action, incurring extra expense, may have an adverse impact on the Group's results, reputation and financial position, and force it to enter into licensing contracts on unfavourable terms or to cease production of the product that is the subject of the legal action.

B. Risk relating to the protection of information

Figeac Aero's business activity is partly reliant on properly functioning IT equipment and, more generally, its information system (IS). Its IS is exposed to various types of risk:

- Its systems (equipment or software) may malfunction
- Its data may be lost or stolen, or its data confidentiality may be breached

Types of issues that may arise:

- Environmental (fire, total/partial destruction of the server room)
- Human (malicious acts, loss of critical skills, etc.)
- External (cyberattack, whale phishing)

These threats could have:

- financial repercussions,
- industrial repercussions,
- damage the Company's reputation (e-reputation, customer satisfaction, etc.).

The Information Systems Division (ISD) is responsible for all services relating to the information system and for ensuring they remain in working order. As such, the ISD must guarantee the security of all equipment and data.
The information system's integrity is managed under a risk management plan governed by the industrial risk management system set out in European standard EN9100. The plan is reviewed annually as part of the EN9100 review.

The review encourages improvements which are then approved as part of the management review (IS blueprint), which itself is validated when these projects are incorporated into the budget. Such measures help to improve the Group's IS policy.
A project management procedure is used to prepare and launch projects in order to guarantee the financial and human capital investments approved in the blueprint.

Figeac Aero has:

- 2 remote and redundant data centres to ensure service continuity: Business Recovery Planning (BRP)
- a data back-up strategy to ensure that its data can be restored, either for the needs of its business lines or in the event of a technical problem.
- security capabilities (firewall, DMZ, VPN, anti-virus, anti-Spam, URL filtering, Windows security updates)
- a policy for managing user access rights to data and applications.

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

C. Litigation - legal proceedings and arbitration

As of the date of the present report, the Company is involved in four legal proceedings (labour disputes), which are described in detail in Section 1.2.14 of the first part of this document. Due to its business activity and the size of its workforce, labour disputes are part of the Group's everyday life. However, the Company feels that the provisions set aside for the legal proceedings of which it was aware at the date of the present document are sufficient for the Group's consolidated financial position not to be significantly affected in the event of an unfavourable outcome.

There are no other disputes or governmental, legal or arbitration proceedings, including any that are pending of which the Group is aware or with which the Group is threatened, that are likely to have, or that have had in the past 12 months, a significant effect on the Group's financial position or profitability.

D. Risks relating to changes in legislation and tax policies

The Group does business in different countries and is subject to different national laws and regulations. Monitoring compliance with the different regulations, including adapting products to new standards, may have an impact on the Group's results, financial position and growth prospects.

In terms of taxation, the Group works to apply the interpretations provided by its advisers or the recommendations of the relevant authorities. However, the Group cannot anticipate potential changes to these interpretations.

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

1.2.26 Events since year-end

- Release of tranches 1 and 2 (out of 3) of the EBRD loan to finance investments in the Maghreb amounting to €27 million.

1.2.27 Statutory Auditors' fees

	Fees paid to Statutory Auditors and members of their networks															
	FIDAUDIT				KPMG				MAZARS				Other statutory auditors			
	Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18	31-03-19	31-03-18
Audit																
Statutory audit, certification, review of individual and consolidated financial statements																
Issuer	80,833	77,500	69%	69%	147,933	144,660	82%	74%	147,933	144,600	98%	92%		0		0%
Fully consolidated subsidiaries	35,500	34,150	31%	31%	33,000	33,000	18%	17%	3,000	3,000	2%	2%	32,348	24,700	100%	100%
Other due diligence and services directly related to the statutory auditors' assignment																
Issuer				0%		18,500		9%		10,000		6%				0%
Fully consolidated subsidiaries				0%				0%								0%
Sub-total	116,333	111,650	100%	100%	180,933	196,160	100%	100%	150,933	157,600	100%	100%	32,348	24,700	100%	100%
Other services provided by the networks to fully consolidated subsidiaries																
Legal, tax, social				0%				0%								0%
Other				0%	0		0%	0%	0		0%					0%
Sub-total			0%	0%	0			0%	0	0	0%	0%		0	0%	0%
Total	*116,333*	*111,650*	*100.00%*	*100.00%*	*180,933*	*196,160*	*100.00%*	*100.00%*	*150,933*	*157,600*	*100.00%*	*100.00%*	*32,348*	*24,700*	*100.00%*	*100.00%*