



GROUP

FIGEAC AÉRO

CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017





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

1.1 Consolidated financial statements

1.1.1 Introduction

The consolidated financial statements at 31 March 2017 were approved by the Board of Directors' meeting on 28 July 2017 and were submitted for the approval of the Shareholders' Meeting of 29 September 2017.

A. Entity presenting the financial statements

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

B. Statement of compliance

The consolidated financial statements were prepared in accordance with IFRS as issued by the IASB and as adopted by the European Union; this includes the definitions and the accounting and valuation methods recommended by IFRS as well as all the information mandated by the standards. The financial statements comply with all of the provisions of IFRS, obligatory as of 31 March 2017. Moreover, these financial statements were also prepared according to IFRS requirements issued by the International Accounting Standards Board (IASB).

C. Basis of preparation of the financial statements

The accounting policies and calculation methods were applied in an identical manner for all periods presented, and for the restatements presented in section 1.1.4. The amounts noted in these financial statements are expressed in thousands of euros (€ thousands).

D. Use of estimates and judgements

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

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

The main balance sheet items affected by these estimates are capitalised development costs (see section 1.2.3 "Intangible assets"), the margin estimated for construction contracts (see section 1.2.6 "Inventories and work in progress"), the fair value of derivative financial instruments (see section 1.2.8.1 "Cash and cash equivalents and financial instruments at fair value through profit or loss") and 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 and interpretations that became effective on 1 January 2016 and were applied by the Group in preparing its consolidated financial statements at 31 March 2017 are as follows:

	<i>Date of "IASB" application</i>	<i>Date of EU application</i>	<i>Date of EU application</i>
Amendments to IAS 1 Disclosure Initiative	01/01/2016	18/12/2015	01/01/2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016	02/12/2015	01/01/2016
Annual improvements to IFRS 2010-2012	01/07/2014	17/12/2014	01/02/2015
Annual improvements to IFRS 2012-2014	01/01/2016	15/12/2015	01/01/2016
Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	24/11/2015	01/01/2016
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	01/07/2014	09/01/2015	01/02/2015

The application of these new standards, interpretations and amendments had no impact on the financial statements.

The new IAS/IFRS texts and interpretations that have been published but are in the process of being adopted by the European Union, and that are not yet applicable, are as follows:

	<i>Date of "IASB" application</i>	<i>Date of EU application</i>	<i>Date of EU application</i>
IFRS 14 - Regulatory Deferral Accounts	01/01/2016	N/A	N/A
IFRS 16 - Leases	01/01/2019	H2 2017?	01/01/2019?
Amendments to IFRS 15 - Clarification	01/01/2018	Q2 2017?	01/01/2018?
Amendments to IFRS 2: Clarifications of classification and measurement of share-based payment transactions	01/01/2018	H2 2017?	01/01/2018?
Amendments to IFRS 4 - Application of IFRS 9 and IFRS 4	01/01/2018	2017	01/01/2018?



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

	<i>Date of "IASB" application</i>	<i>Date of EU application</i>	<i>Date of EU application</i>
IFRS 9 - Financial instruments	01/01/2018	22/11/2016	01/01/2018
Amendments to IAS 7: Disclosure Initiative	01/01/2017	Q4 2016?	01/01/2017?
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017	Q4 2016?	01/01/2017?
IFRS 15 - Revenue from contracts with customers	01/01/2018	22/09/2016	01/01/2018
Annual improvements 2014-2016	01/01/2017 or 01/01/2018	H2 2017?	01/01/2017? 01/01/2018?
Interpretation of IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01/01/2018	H2 2017?	01/01/2018?

The Group chose not to pursue early adoption of these standards, interpretations and amendments in the preparation of the consolidated financial statements as at 31 March 2017. The main impacts of the application of the new standards are being assessed at the Group level.

IFRS 15

The Group is currently analysing its accounting policies in relation to the future application of this standard. This analysis focuses on the types of contracts that exist in the Group.

The application of the standard could have a significant impact on income and the structure of the Group's balance sheet.

In fact, concerning contracts with multiple items that include development and different goods and services, it is best to identify the performance requirements within each contract. The revenue of each performance requirement will be recorded according to the transfer of control.

The future standard will no longer allow for recycling differences in performance that appear at delivery of the first aircraft. It will consequently have an impact on the rhythm of recognition of margins generated by the different contracts. However, the rhythm of revenue recognition from series-production parts, currently recorded on delivery, will not change.

The Group will apply IFRS 15 starting with the financial year ended 31 March 2019 with "full retrospective application". As such, the shareholders' equity on the comparative consolidated balance sheet at 1 April 2017 will be restated for the effects of the application of this new standard. The comparative financial statements ended at 31 March 2018 presented in the financial statements ended 31 March 2019 will also be restated.

1.1.3 Significant events

- **ACQUISITION OF AUVERGNE AERO GROUP**

By the judgement on 24 November 2016, the FIGEAC AERO Group acquired the assets of the Auvergne Aéronautique Group from the Lyon Commercial Court. This is an important step in FIGEAC AERO's development.

This is fully in line with the Group's development plan which aims for European leadership in aerospace outsourcing in 2020.

This acquisition will drive growth and enable the Group to:

- ❖ acquire proven know-how in forming and sheet metal activities;
- ❖ boost its production capacity in Morocco with an operational and profitable best cost site;
- ❖ open up new customer opportunities, in particular with Airbus Helicopters and AVIC (China);



- ❖ position itself on more ambitious work-packages combining machining and sheet metal.

The assets (buildings, industrial plant and tooling, inventories and work in progress, order book, intangible assets and goodwill) for the following sites were acquired:

- Auxerre (65 employees, machining and surface treatment for aerospace parts);
- Aulnat (304 employees, sheet metal work, forming activities, assembly and surface treatment for the aerospace industry);
- Casablanca (310 employees, sheet metal work, forming activities, assembly and surface treatment for the aerospace industry).

The following liabilities were acquired:

- Social liabilities:
 - o seniority of employees;
 - o right to paid leave and other benefits since 1 June 2016.
- Other liabilities:
 - o continuation of lease credit contracts for the acquired equipment;
 - o debt on pledged inventories.

The entry into force of this entity was set at 25 November 2016.

The Group created two new subsidiaries:

- FIGEAC AERO AUXERRE to take over the Auxerre assets of Auvergne Aéronautique Group;
- Société Nouvelle Auvergne Aéronautique to take over the Aulnat assets of Auvergne Aéronautique Group (including 100% of investments in Casablanca Aéronautique).

These acquisitions cost €1,755 thousand including a €55 thousand contribution to the Auvergne Aéronautique Group's PSE. Payment was made using the Group's equity.

This acquisition generated goodwill amounting to €9.8 million recognised immediately in net income (loss) in the 'Other operating income' line of the consolidated income statement.

The contribution of the scope corresponding to the former Auvergne Aéronautique Group to the Group amounts to €14.8 million in revenue.

● OTHER CHANGES IN SCOPE

Launch of FGA ST NAZAIRE in June 2016 for the assembly of a section of the Airbus A350 for SPIRIT AERO. The business activity currently involves approximately sixty people. This business will develop with the growth in Airbus A350 programme production.

Launch of business activities in Mexico in April 2016. At 31 March 2017, six machines were in operation, employing 60 people. The Group's Mexican entity was included in the strategic production plan in "best cost" and dollar regions.

In April, MTI acquired the business of Construction Hydroélectrique du Midi (CHM).

The FIGEAC AERO Group acquired the Tunisian design agency PECISS, specialising in machining process engineering. The firm of 10 employees will reinforce the Group's industrialisation business.

These acquisitions did not have a significant impact on the Group's consolidated balance sheet.

● GOVERNANCE

At the Shareholders' Meeting of 8 July 2016, FIGEAC AERO shareholders appointed Marie-Line Malaterre as Director in line with the Company's intent to include more independent directors and women on its Board of Directors.

Marie-Line Malaterre, 52 years old, is a qualified chartered accountant with a DEC (Diplôme d'Expertise Comptable) and has held financial management posts in various listed and unlisted companies. Ms Malaterre was appointed chairperson of FIGEAC AERO's Audit Committee.

1.1.4 Restatements relating to the information published at 31 March 2016

In accordance with IAS 8, comparative information on the previous financial year was included in the financial statements at 31 March 2016 to reflect the situation on breach of covenants as stated in section 1.2.11 "Debt".

Data for the year ended 31 March 2016 were adjusted to reclassify the long-term portion of bank debt in the current portion of debt for an amount of €9.6 million.

1.1.4.1.1 Reconciliation of the reported and restated consolidated balance sheet at 31 March 2016

<i>(in € thousands)</i>	March 2016		March 2016
	Reported	Debt restatement	Restated
CONSOLIDATED LIABILITIES	Closing		Closing
Share capital	3,813		3,813
Premiums	118,325		118,325
Reserves	28,473		28,473
Foreign currency translation reserve	-125		-125
Net income (loss) for the financial year	33,260		33,260
Share capital issued and reserves attributable to owners of the parent company	183,747	0	183,747
Non-controlling interests	264		264
Non-controlling interests	264		264
Total consolidated shareholders' equity	184,011	0	184,011
Loans from credit institutions	81,395	-9,600	71,795
Repayable advances	22,247		22,247
Finance lease liabilities	29,102		29,102
Other financial liabilities	1,742		1,742
Total non-current financial liabilities	134,486	-9,600	124,886
Other provisions	5,184		5,184
Deferred tax liabilities	10,569		10,569
Provision for pension and other long-term employee benefits	2,121		2,121
Derivative financial instruments	35,617		35,617
Other non-current liabilities	1,995		1,995
Non-current portion of deferred income	4,654		4,654
Total non-current liabilities	194,625	-9,600	185,026
Short-term borrowings	40,995		40,995
Current portion of financial liabilities	20,852	9,600	30,452
Repayable advances	2,108		2,108
Total current financial liabilities	63,955	9,600	73,555
Trade payables	50,253		50,253
Fiscal liabilities	4,190		4,190
Derivative financial instruments	0		0
Other current liabilities	16,623		16,623
Deferred income	2,804		2,804
Total current liabilities	137,825	9,600	147,425
Total equity and liabilities	516,462	0	516,462

1.1.5 Consolidated Balance Sheet

		March-17	March-16
<i>(in € thousands)</i>			*
CONSOLIDATED ASSETS	Note	Closing	Closing
Development costs	1.2.3	51,681	33,743
Other intangible assets	1.2.3	3,377	2,905
Total intangible assets		55,057	36,648
Land	1.2.4	4,181	3,744
Buildings	1.2.4	38,383	29,620
Plant machinery	1.2.4	135,169	77,824
Other property, plant and equipment	1.2.4	6,625	4,443
Total property, plant and equipment	1.2.4	184,358	115,632
Deferred tax	1.2.9	494	1,069
Other financial assets	1.2.5	2,325	2,211
Other non-current assets	1.2.7	0	2,744
Total non-current assets		242,234	158,303
Inventories and work in progress	1.2.6	238,119	180,592
Trade and other receivables	1.2.7	90,708	60,431
Tax receivables	1.2.7	12,319	5,163
Other current assets	1.2.7	16,817	10,138
Cash and cash equivalents	1.2.8	30,543	101,834
Total current assets		388,506	358,158
Total assets		630,739	516,461

March-17

March-16

(in € thousands)

*

CONSOLIDATED LIABILITIES	Note	Closing	Closing
Share capital	1.2.12	3,815	3,813
Premiums	1.2.12	118,455	118,325
Reserves	1.2.12	56,651	28,473
Foreign currency translation reserve	1.2.12	-360	-125
Net income for the year	1.2.12	32,545	33,260
Share capital issued and reserves attributable to owners of the parent company	1.2.12	211,105	183,747
Non-controlling interests	1.2.12	204	264
Non-controlling interests		204	264
Total consolidated shareholders' equity	1.2.12	211,310	184,011
Loans from credit institutions	1.2.11	80,321	71,795
Repayable advances	1.2.11	26,380	22,247
Finance lease liabilities	1.2.11	36,722	29,102
Other financial liabilities	1.2.11	1,739	1,742
Total non-current financial liabilities	1.2.11	145,162	124,886
Other provisions	1.2.14	6,351	5,184
Deferred tax liabilities	1.2.9	17,607	10,569
Provision for pensions and other long-term employee benefits	1.2.14	3,095	2,121
Derivative financial instruments	1.2.8.2	28,582	35,617
Other non-current liabilities		2,807	1,995
Non-recurring portion of deferred income		8,111	4,654
Total non-current liabilities		211,716	185,026
Short-term borrowings	1.2.11	53,611	40,995
Current portion of financial liabilities		36,012	30,452
Repayable advances		3,690	2,108
Total current financial liabilities		93,313	73,555
Trade payables	1.2.15	81,003	50,253
Fiscal liabilities	1.2.15	7,331	4,190
Other current liabilities	1.2.15	22,904	16,623
Deferred income		3,162	2,804
Total current liabilities		207,714	147,425
Total equity and liabilities		630,739	516,461

*Data for the year ended 31 March 2016 were adjusted to reclassify the long-term portion of bank debt in the current portion of debt for an amount of €9.6 million.

1.1.6 Consolidated Income Statement

		March-17	March-16
<i>(in € thousands)</i>			
Consolidated Income Statement		Closing	Closing
Revenue	1.2.16	324,732	252,344
Other income from operations	1.2.20	2,909	2,932
Change in inventories of finished products and work in progress		34,252	29,866
Raw materials and consumables		-182,905	-140,932
Personnel expenses		-77,032	-60,132
External expenses		-28,365	-22,001
Taxes		-4,504	-3,246
Depreciation and amortisation		-21,052	-18,863
Net provisions		-5,011	-1,798
	Recurring operating income	43,025	38,168
Other operating income	1.2.21	10,711	62
Other operating expenses	1.2.21	-1,203	-1,607
	Operating income	52,532	36,623
Financial income		193	129
Financial expenses		-4,385	-3,137
	Cost of debt	-4,192	-3,008
Foreign exchange gains and losses		-22,802	-16,163
Unrealised gains and losses on financial instruments		14,649	32,860
Other financial income and expenses		-54	-23
Share of profit of equity affiliates		0	0
Income tax	1.2.19	-7,615	-17,023
Net income (loss) for the period		32,519	33,266
Net income attributable to owners of the parent company		32,545	33,260
Net income attributable to non-controlling interests		-26	6



1.1.7 Statement of Comprehensive Income

		March-17	March-16
<i>(in € thousands)</i>			
Statement of Comprehensive Income	Note	Closing	Closing
Net income (loss) for the period		32,519	33,266
Other comprehensive income items			
Cash flow hedges - portion of change in fair value deemed effective		-7,614	7,071
Deferred tax - change in the fair value of hedging instruments		2,132	-2,357
Postemployment liabilities - actuarial differences		8	239
Deferred tax - postemployment liabilities - actuarial differences		-2	-80
Translation adjustment		-236	-329
Total comprehensive income (loss) for the year		26,807	37,810
*Attributable to owners of the parent		26,833	37,804
*Non-controlling interests		-26	6
Number of shares		31,787,537	31,779,140

1.1.8 Consolidated Statement of Changes in Shareholders' Equity

(in € thousands)	Group share							Non-controlling interests	Total shareholders' equity
	Share capital	Treasury shares	Premiums	Consolidated reserves	Foreign currency translation reserve	Income	Total attributable to Group shareholders		
Financial year ended March 2015	3,328		33,731	45,517	204	-21,889	60,892	254	61,146
Change in accounting policy*				-413			-413		-413
Retrospective restatement**				333			333		333
Share capital transactions	485	-299	84,594				84,780	0	84,780
Change in translation differences					-329		-329		-329
Impact of the application of IFRS 2				390			390		390
Impact of the application of IAS 19				159			159		159
Fair value of financial assets				4,714			4,714		4,714
Other				-40			-40	4	-36
Dividends paid				0			0	0	0
Appropriation of net income Y-1				-21,889		21,889	0		
Other comprehensive income items									
Net income (loss) for the period						33,260	33,260	6	33,266
Changes in scope									
Financial year ended March 2016	3,813	-299	118,325	28,772	-125	33,260	183,747	264	184,011
Change in method							0		
Retrospective restatement**							0		
Share capital transactions	1	77	131				209	0	209
Change in translation differences					-236		-236		-236
Impact of the application of IFRS 2				628			628		628
Impact of the application of IAS 19				6			6		6
Fair value of financial assets				-5,483			-5,483		-5,483
Other				-35			-35		-35
Dividends paid				0			0	0	0
Appropriation of net income Y-1				33,260		-33,260	0		0
Other comprehensive income items									
Net income (loss) for the period						32,545	32,545	-26	32,519
Changes in scope				-278			-278	-33	-311
									0
Financial year ended March 2017	3,815	-222	118,455	56,673	-360	32,545	211,105	204	211,310



1.1.9 Consolidated Statement of Cash Flows



March-17

March-16

(in € thousands)

	March-17	March-16
Cash flows from operating activities		
Net income (loss) from consolidated companies	32,545	33,266
Dep., amort., provisions and share of subsidies allocated to income	22,535	21,130
Elimination of revaluation gains (losses) (fair value)	-23,090	-32,837
Other items not affecting cash	238	-687
Cash flow after cost of debt, net of tax	32,228	20,872
Tax expense	7,276	15,851
Cost of debt	3,325	2,841
Cash flow before cost of debt, net of tax	42,829	39,564
Change in working capital requirements for operations		
Changes in inventories	-52,666	-38,695
Change in trade and other receivables	-53,161	-34,975
Change in trade and other payables	-25,139	-6,749
Change in trade and other payables	25,634	3,029
Tax paid	0	0
NET CASH FLOW FROM OPERATING ACTIVITIES	-9,837	869
Cash flows from investing activities		
Acquisition of assets	-87,180	-59,267
Disposal of assets	12,927	6,355
Impact of changes in scope	-1,780	0
NET CASH FLOW FROM INVEST. ACTIVITIES	-76,033	-52,912
Cash flows from financing activities		
Capital increases	131	85,079
Increases in subsidies	0	0
Bond issues and advances	43,625	53,902
Repayment of bonds and advances	-38,475	-27,524
Interest paid	-3,325	-2,841
NET CASH FLOW FROM FIN. ACTIVITIES	1,956	108,616
CHANGE IN CASH	-83,914	56,573
Cash - opening	60,838	4,327
Cash - change in foreign exchange rates	9	-61
Cash - other changes	0	0
Cash - closing	-23,068	60,838
CHANGE IN CASH FLOWS	-83,914	56,573



1.2 Notes to the consolidated financial statements

1.2.1 Accounting policies

A. Consolidation scope and criteria

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

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

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

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

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

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

	31-03-16		31-03-17	
	Balance sheet	Income	Balance sheet	Income
US dollar	1.1385	1.1040	1.0691	1.0936
Tunisian dinar	2.2953	2.1976	2.5030	2.4364
Moroccan dirham	10.9720	10.8384	10.7150	10.8089
Mexican peso	19.5903	18.4350	20.0175	21.0140



C. Translation of transactions denominated in foreign currencies

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

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

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

D. Closing dates

FIGEAC AERO (the parent company) and MÉCABRIVE INDUSTRIES, FGA TUNISIE, FGA NORTH AMERICA, FGA PICARDIE, FGA SAINT NAZAIRE, FGA MAROC, and FGA USA are consolidated according to their balance sheet entries for the twelve-month period ended 31 March 2017.

FIGEAC AERO AUXERRE and Société Nouvelle Auvergne Aéronautique are consolidated according to their balance sheet entries for the four-month period ended 31 March 2017.

MTI, SCI REMSI, FGA TUNISIA PROCESS, Casablanca Aéronautique, and SCI Mexico closed their financial years on 31 December 2016. The separate financial statements were restated to reflect significant transactions or transactions having an impact on the consolidated financial statements between 1 January and 31 March 2017.

E. Revenue recognition policies

Recognition of revenue in the consolidated financial statements depends on the type of revenue:

- ❖ construction contracts;
- ❖ provision of services: study services, after-sales service, etc.;
- ❖ sale of goods.

Income from ordinary operations is recognised when the following conditions are met:

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

Construction contracts

IAS 11 Construction contract selection criteria:

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

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

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

Types of construction contracts

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

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

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

a) for income:

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

b) for costs:

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

The profit margin is recognised on a percentage-of-completion basis in relation to delivery of programme items (milestones). The Group invoices at delivery and all invoicing is final regardless of the outcome of the programme. It can also occur that additional invoices are issued later (modifications or supplemental works).

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

As construction contracts cover several financial years, the Group has to record production costs on the balance sheet that will later be recycled in income according to actual decreases observed.

Construction contracts are based on assumptions made by the Group:

- forecasts relating to revenue are carried out taking commercial information into account (order book and cadence) as communicated by the different manufacturers and the information on the outlook for the aerospace market, including the Global Market Forecast from AIRBUS.
- Cost forecasts are estimated based on the industrial organisation implemented by the Group.
- For dollar flows (revenue and expenses) which make up a significant portion of the overall flows for the Group, it has based its forecasts on assumptions of future performance of the euro against the dollar, related to contract duration:
 - o accounting for the hedging strategy for the 2017-2019 period (use of hedging rates to produce budgets);
 - o accounting for the potential change in the euro/dollar foreign exchange rate over the remaining duration of the contracts. As such, a rate of 1.18 was used.
- The duration used by the Group for budget analysis and determining the profit margin at the end of the construction contracts is 11 years. This assumption takes into account the average duration of the presence within the Group of the industrial equipment necessary for carrying out these manufacturing operations.



A change of +5 cents in the euro/dollar exchange rate assumption used by the Group would have an impact of –2.62 points on the EBIT rate recorded for the period.

A change of -5 cents in the euro/dollar exchange rate assumption used by the Group would have an impact of +2.69 points on the EBIT rate recorded for the period.

The main programmes thus concerned are:

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

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

Sale of goods

The income resulting from the sale of goods is recorded in revenue when the risks and benefits related to the goods are transferred. In most cases, this is the date the goods are delivered.

F. Business groupings

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

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

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

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

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

G. Other intangible assets

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

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



The different types of identifiable intangible assets in the FIGEAC 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 one and three years.

Development costs

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

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

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

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

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

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

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

H. Property, plant and equipment

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

The cost items include:

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

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

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

The depreciation periods used are as follows:

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



The useful lives are reviewed at each closing.

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

I. Finance leases

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

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

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

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

Annual tests for depreciation are carried out on:

- ❖ intangible assets in progress.

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

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

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

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

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

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

K. Inventories and work in progress

Raw materials and other supplies

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

no movement in more than 18 months and less than 24 months50%
no movement in more than 24 months75%

- Work in progress (excluding construction contracts)

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



- Finished goods

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

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

item classed as obsolete/maybe (able to be sold): 25%

item classed as obsolete/never (unlikely possibility of being sold): 90%

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

L. Trade and other receivables

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

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

M. Cash and cash equivalents

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

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

N. Income tax credits, subsidies and other public aid

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

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

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

The competitiveness and employment tax credit (*Crédit d'Impôt Compétitivité Emploi*, CICE) was set out in France by the 3rd amended Financial Law of 2012 beginning on 1 January 2013: This income tax credit is calculated for the calendar year and in 2016 corresponded to 6% of remuneration (7% from 1 January 2017) less than or equal to 2.5 times the French minimum wage. The Group did not consider the CICE as a subsidy, but as a reimbursement of remuneration that permitted the cost of labour to be reduced. In this regard it was recognised according to IAS 19 as a reduction in personnel expenses at the rhythm of the corresponding remuneration charges. The amount of the CICE recorded as a reduction in personnel expenses for the 2017 financial year amounted to €2,580 thousand, and €1,844 thousand for the 2016 financial year.



O. Income tax

Income tax includes tax due and deferred tax.

Tax due

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

Deferred tax

Deferred tax results mainly from:

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

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

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

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

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

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

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

P. Financial instruments

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

Assets held to maturity

The Group does not have any.

Loans and receivables issued by the company

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

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

Financial assets and liabilities at fair value through profit or loss

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

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

Other debt (loans and borrowings carrying interest)

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

Equity securities

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

Compound financial instruments

The Group does not hold any compound financial instruments.

Derivative financial instruments

The Group uses foreign exchange and interest rate derivative financial instruments. See 1.18

Transfers of financial instrument assets

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

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

Q. Derivative financial instruments

Interest rate derivative financial instruments

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

<u>Transaction type</u>	<u>Transaction date</u>	<u>Transaction effective date</u>	<u>Maturity date</u>	<u>Transaction nominal</u>	<u>Transaction currency</u>	<u>Exposures (signed)</u>	<u>Valuation including accrued interest (euros)</u>	<u>Valuation excluding accrued interest (euros)</u>	<u>Amount due accrued interest (euros)</u>
SWPVANILLE	07/07/2010	30/09/2010	30/03/2020	3 342 526	EUR	1 131 213	-40,848	-40,848	0

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

In € thousands	31/03/2017		31/03/2016	
	Fair value	Impact on income	Fair value	Impact on income
Interest rate swap	-41	-41	-75	-75



Foreign exchange derivative financial instruments

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

Position at 31 March 2017				
<i>Financial instruments</i>	<i>Nominal</i>	<i>Maturities</i>		
		<i>< 1 year</i>	<i>1-5 years</i>	<i>> 5 years</i>
- Currency options EUR/USD/cash flow hedge	64 500 000	17 750 000	46 750 000	
- Currency options EUR/USD/unhedged	70 750 000	19 500 000	51 250 000	
- Currency barrier options EUR/USD	0			
- Accumulators EUR/USD/cash flow hedge	0			
- Accumulators EUR/USD/unhedged	154 273 334	131 473 334	22 800 000	
- Accumulators buying USD/EUR unhedged	146 330 280	125 538 280	20 792 000	
-TRFE selling EUR/USD/cash flow hedge	0			
-TRFE selling EUR/USD/unhedged	12 850 000	12 850 000		
-TRFE buying EUR/USD/unhedged	83 200 000	83 200 000		
- FADER/cash flow hedge	0			
- FADER/unhedged	0			
- Forward buy contracts	25 400 000	25 000 000	400 000	
- Forward sell contracts	154 764 000	60 379 000	94 385 000	
Total foreign exchange risk Sell	457 137 334	241 952 334	215 185 000	0
Total foreign exchange risk Buy	254 930 280	233 738 280	21 192 000	0

Accounting policies for foreign exchange derivative financial instruments

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

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

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

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

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

Documentation of hedge accounting

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

Consequently, at the start of the hedge, Figeac Aéro puts in place formal documentation to describe the hedge relationship. At the inception of the hedge, and then at each reporting date, Figeac Aéro will carry out prospective hedge effectiveness tests (Critical Terms Match) and retrospective (Dollar Offset Method) to ensure that the hedge relationship will be (and has



been) highly effective in offsetting changes in the fair value or cash flows of the hedged risk, in line with the currency risk management strategy detailed above.

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

R. Management of share capital

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

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

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

S. Treasury shares

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

T. Provisions

A provision is recognised:

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

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

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

U. Employee benefits

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

Long-term benefits concern:

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

V. Trade and other payables

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

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



W. Methods used to calculate earnings per share

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

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

X. Business segments

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

Y. Other operating income and expenses

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

1.2.2 - Scope of consolidation

1.2.2.1 Consolidated entities

Entity and legal form	ID no.	Registered office	Consolidation method		% control		% interest	
			Mar 2016	Mar 2017	Mar 2016	Mar 2017	Mar 2016	Mar 2017
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	92.68%	100.00%	92.68%	100.00%
SARL FGA TUNISIE	NONE	ZI MGhira III, Rue de Gafsa 2082 FOUCHANA	Full consolidation	Full consolidation	100.00%	100.00%	100.00%	100.00%
FIGEAC AERO USA INC	NONE	2701 South Bayshore Drive 33133 MIAMI	Full consolidation	Full consolidation	100.00%	100.00%	100.00%	100.00%
FGA PICARDIE SAS	533995684	Z.I. de l'Aiguille 46100 FIGEAC	Full consolidation	Full consolidation	99.95%	100.00%	99.95%	100.00%
FGA NORTH AMERICA INC	NONE	9313 E 39th St N Wichita, KS, 67226 USA	Full consolidation	Full consolidation	100.00%	100.00%	100.00%	100.00%
FIGEAC AERO MAROC	328973	49 Rue Jean Jaures CASABLANCA MAROC	Full consolidation	Full consolidation	100.00%	100.00%	100.00%	100.00%
SCI REMSI	791581994	Z.I. de l'Aiguille 46100 FIGEAC	Full consolidation	Full consolidation	100.00%	100.00%	0.00%	0.00%
SCI MEXIQUE	NONE	51 Rue Jean Jaurés CASABLANCA MOROCCO	Full consolidation	Full consolidation	100.00%	100.00%	100.00%	100.00%
FIGEAC AERO SAINT NAZAIRE	818093577	ZI de Cadréan 44550 MONTOIR DE BRETAGNE	N/A	Full consolidation	N/A	100.00%	N/A	100.00%
FIGEAC AERO AUXERRE	824264030	Z.I. plaine des Isles 89000 AUXERRE	N/A	Full consolidation	N/A	100.00%	N/A	100.00%
SN AUVERGNE AERONAUTIQUE	824245104	1 RUE Tourira Chaoui 63510 AULNAT	N/A	Full consolidation	N/A	100.00%	N/A	100.00%
CASABLANCA AERONAUTIQUE	3304831	aéropole de l'aéroport Mohammed V CASABLANCA Morocco	N/A	Full consolidation	N/A	100.00%	N/A	100.00%
FIGEAC TUNISIA PROCESS	1358165	122 avenue du Kow eit 8050 HAMMAMET	N/A	Full consolidation	N/A	90.00%	N/A	90.00%
EGIMA	1087305	aéropole de l'aéroport Mohammed V CASABLANCA MOROCCO	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. It owns a specific asset (an industrial building) rented by the parent company (Figeac Aéro). It is a non-trading property company (SCI) created as part of the Group's investment initiative (setup of a workshop separate from the rest of the factory).

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

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

1.2.2.2 Unconsolidated entities

Entity and legal form	ID no.	Registered office	Consolidation method		% control		% interest	
			Mar 2016	Mar 2017	Mar 2016	Mar 2017	Mar 2016	Mar 2017
SAS AEROTRADE	520459876	23 Av Edouard BELIN 31400 TOULOUSE	Unconsolidated	Unconsolidated	1.00%	1.00%	1.00%	1.00%

1.2.3 Intangible assets

	March-16	March-17					
<i>(in € thousands)</i>							
Intangible assets	Opening	Increase	Decrease	Transfer from item to item	Translation adjustment	Changes in scope	Closing
Startup costs and similar costs	0	0	0	0	0	0	0
Development costs	24,352	61	0	11,948	0	0	36,360
Concessions, patents, licenses	1,371	126	0	0	5	190	1,693
Software	5,789	1,647	-126	0	-7	96	7,400
Goodwill	353	60	0	0	0	50	463
Other intangible assets	0	0	0	0	0	0	0
Intangible assets in progress	24,253	21,485	-51	-11,948	0	3	33,741
Advances/intangible assets	0	0	0	0	0	0	0
Gross intangible assets	56,118	23,379	-177	0	-2	339	79,657
Depreciation							
Deprec. Startup costs	0	0	0	0	0	0	0
Development costs - amort.	-14,552	-3,559	0	0	0	0	-18,111
Concessions, patents, licenses - amort.	-1,086	-215	0	0	-6	-247	-1,554
Software - amort.	-3,523	-1,153	40	0	10	0	-4,625
Goodwill - amort.	0	0	0	0	0	0	0
Other intangible assets - amort.	0	0	0	0	0	0	0
Intangible assets in progress - amort.	-310	0	0	0	0	0	-310
Advances/intangible assets - amort.	0	0	0	0	0	0	0
Intangible assets amort. and imp.	-19,471	-4,927	40	0	4	-247	-24,600
Net value							
Startup costs and similar costs	0	0	0	0	0	0	0
Development costs	9,799	-3,498	0	11,948	0	0	18,249
Concessions, patents, licenses	286	-89	0	0	-1	-56	140
Software	2,267	494	-85	0	3	96	2,774
Goodwill	353	60	0	0	0	50	463
Other intangible assets	0	0	0	0	0	0	0
Intangible assets in progress	23,943	21,485	-51	-11,948	0	3	33,431
Advances/intangible assets	0	0	0	0	0	0	0
Intangible assets	36,648	18,451	-136	0	2	92	55,057

At 31 March 2017, there was no amortisation due to impairment.



New intangible assets:

- ❖ were generated internally (capitalised development costs) for +€19.8 million (+€15.3 million in 2016);
- ❖ were acquired externally for +€2.5 million (+€6.2 million in 2016).

The majority of R&D work was performed by FIGEAC AERO. They are spread across 23 development subjects

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

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

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

The Group has significant R&D expenses. Over the last three years, these expenses averaged 7.85% of consolidated revenue. The result of this proactive policy is a research tax credit (*Crédit Impôt Recherche*, CRI) and large subsidies in France (research tax credit of €2.75 million for 2016, compared to €3.1 million in 2015).

In 2017, total R&D expenses represented 6.86% of Group revenue, compared to 8.53% in 2016. These expenses are proof of the Group's commitment to meeting market needs through innovation.

1.2.4 Property, plant and equipment

	March-16	March-17					
(in € thousands)							
Property, plant and equipment	Opening	Increase	Decrease	Transfer from item to item	Translation adjustment	Changes in scope	Closing
Gross value							
Land	4,365	350	0	0	81	89	4,885
Building	36,667	5,401	0	0	252	6,894	49,215
Buildings - finance lease	3,811	0	0	0	0	0	3,811
Plant machinery, eq. and tools	55,712	25,043	-1,889	3,151	180	7,180	89,377
Plant machinery, eq. and tools - finance lease	59,179	19,153	-6,089	0	5	2,549	74,797
Fixtures & fittings	6,763	2,014	0	0	-8	463	9,233
Transport equipment	251	72	0	0	1	0	324
Office and IT eq.	3,230	968	-44	0	-10	245	4,390
Office and IT eq. - finance lease	2	0	0	0	0	0	2
Other property, plant and equipment	553	74	0	0	4	0	631
Property, plant and equipment in progress	14,526	37,597	-13,442	-2,263	10	150	36,578
Advances/tangible assets	4,122	347	0	-888	-1	40	3,619
Property, plant and equipment - gross	189,182	91,019	-21,464	0	515	17,609	276,863
Depreciation							
Land - depreciation	-620	-84	0	0	0	0	-705
Buildings - deprec.	-8,563	-1,665	0	0	-23	-1,435	-11,686
Buildings - finance lease - deprec.	-2,296	-617	-44	0	0	0	-2,957
Plant machinery, eq. and tools - deprec.	-30,830	-9,072	310	0	-25	-2,653	-42,270
Plant machinery, eq. and tools - finance lease - deprec.	-24,883	-7,191	5,142	0	0	0	-26,932
Fixtures, fittings - deprec.	-4,162	-842	0	0	4	-47	-5,046
Transport equipment - deprec.	-193	-34	0	0	0	0	-228
Office and IT eq. - deprec.	-2,001	-578	44	0	8	-153	-2,681
Office and IT eq. - finance lease - deprec.	0	0	0	0	0	0	0
Other property, plant and equipment - deprec.	0	0	0	0	0	0	0
Property, plant and equipment in progress - deprec.	0	0	0	0	0	0	0
Advances/property, plant and equipment - deprec.	0	0	0	0	0	0	0
Property, plant and equipment - deprec. and imp.	-73,548	-20,083	5,452	0	-36	-4,287	-92,505
Net values							
Land	3,745	266	0	0	81	89	4,180
Building	28,105	3,736	0	0	229	5,460	37,530
Buildings - finance lease	1,515	-617	-44	0	0	0	854
Plant machinery, eq. and tools	24,882	15,971	-1,580	3,151	155	4,527	47,107
Plant machinery, eq. and tools - finance lease	34,295	11,962	-947	0	5	2,549	47,864
Fixtures & fittings	2,601	1,172	0	0	-3	416	4,186
Transport equipment	57	38	0	0	1	0	96
Office and IT eq.	1,229	390	0	0	-2	92	1,709
Office and IT eq. - finance lease	2	0	0	0	0	0	2
Other property, plant and equipment	553	74	0	0	0	0	627
Property, plant and equipment in progress	14,526	37,597	-13,442	-2,263	10	150	36,578
Advances/property plant and equipment	4,122	347	0	-888	-1	40	3,619
Property, plant and equipment	115,632	70,936	-16,013	0	479	13,322	184,358



Property, plant and equipment given as security is detailed in section 24: "Guarantees on asset components" in the notes to the consolidated financial statements.

The largest acquisitions were:

- the construction of four buildings (16,000 m²) in Figeac dedicated to machining large-sized parts and parts for engines;
- the construction of a machining building in Wichita;
- the construction of a machining building for FGA Mexico;
- the acquisition of a building by MTI;
- the investment in production capacity that corresponds to the acquisition of 36 machines (machining, turning and milling, measurement materials) by all Group companies.

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

1.2.5 Noncurrent financial assets

		March-16	March-17				
<i>(in € thousands)</i>							
Financial assets	Opening		Increase	Decrease	Translation adjustment	Changes in scope	Closing
Gross value							
Unconsolidated investments	70		0	-9	0	0	60
Loans	846		147	-1	0	0	992
Other financial assets	1,302		118	-185	-8	46	1,273
Gross financial assets		2,218	265	-194	-8	46	2,325
Amortisation							
Unconsolidated investments - amort.	0		0	0	0	0	0
Other financial assets - amort.	-7		7	0	0	0	0
Financial assets - amort.		-7	7	0	0	0	0
Net values							
Unconsolidated investments	70		0	-9	0	0	60
Loans	846		147	-1	0	0	992
Other financial assets	1,296		125	-185	-8	46	1,273
Financial assets		2,211	272	-194	-8	46	2,325

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

1.2.6 Inventories and work in progress

<i>(in € thousands)</i>		March-16	March-17			
Inventories and work in progress	Opening	Net change	IAS 11	Translation adjustment	Changes in scope	Closing
Gross value						
Inventories of raw materials	15,412	11,297		134	3,237	30,080
Inventories of other supplies	17,355	7,465	0	-83	57	24,794
Work and services in progress	0	0	0	0	0	0
Work in progress and services	49,097	9,713	0	-17	1,072	59,865
Construction contracts	74,329	0	11,093	0	0	85,421
Inventories of finished goods	28,635	13,897	0	35	1,227	43,794
Inventories - gross value	184,828	42,372	11,093	69	5,593	243,955
Provisions						
Inventories of raw materials - depreciation	-427	51	0	-5	-89	-470
Inventories of other supplies - depreciation	0	0	0	0	0	0
Work and services in progress - depreciation	0	0	0	0	0	0
Inventories work and svcs. in prog. - depreciation	-1,679	-1,192	0	-3	-150	-3,024
Inventories of finished goods - depreciation	-2,130	-190	0	-1	-21	-2,342
Inventories - deprec.	-4,236	-1,331	0	-9	-261	-5,836
Net values						
Inventories of raw materials	14,985	11,348	0	129	3,148	29,610
Inventories of other supplies	17,355	7,465	0	-83	57	24,794
Work and services in progress	0	0	0	0	0	0
Work in progress and services	121,747	8,521	11,093	-19	922	142,264
Inventories of finished goods	26,505	13,707	0	34	1,206	41,452
Inventories and work in progress	180,592	41,041	11,093	60	5,333	238,119

In gross value and at constant scope, inventories increased by €53.4 million during 2017, compared to €35.9 million during 2016.

Pledged inventories appear in section 24 "Guarantees on assets" in the notes to the consolidated financial statements.

1.2.7 Trade and other receivables

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

Breakdown of receivables	March-16		March-17	
	Opening	Closing	< 1 year	> 1 year
Advances & down payments paid on orders	-22	477	477	0
Trade and other receivables	62,836	90,708	90,708	0
Sundry debtors	2,807	11,290	11,290	0
Tax receivables	6,296	2,587	2,587	0
TOTAL	71,917	105,061	105,061	0

At 31 March 2017, accounts receivable factoring amounted to €50.6 million compared with €38.8 million at 31 March 2016. As the Group remains responsible for collecting the factored trade receivables, these receivables remain on the balance sheet as an asset.

At 31 March 2017, the payment schedule for undue and past due gross trade receivables (ageing analysis) was as follows:

Trade receivables by maturity	March-17			
	Closing	< 6 months	> 6 months < 12 months	> 12 months
Trade and other receivables	90,708	90,708		
TOTAL	90,708	90,708	0	0

No significant **loss on bad debt** was recognised in this or the previous financial year.

Trade receivables by maturity	March-16			
	Closing	< 6 months	> 6 months < 12 months	> 12 months
Trade and other receivables	62,836	60,431		2,405
TOTAL	62,836	60,431		2,405

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

1.2.8.1 Cash and cash equivalents

Changes in cash and cash equivalents were as follows:

	March-16	March-17	
<i>(in € thousands)</i>			
Cash and cash equivalents	Opening	Closing	Change
Marketable securities	5,637	12,293	6,656
Available cash	96,197	18,250	-77,947
Bank overdrafts			0
Cash and cash equivalents	101,834	30,543	-71,291
Outstanding invoices	-39,619	-50,591	-10,971
Bank overdrafts	-1,376	-3,020	-1,644
TOTAL	60,838	-23,068	-83,906

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

Changes in cash and cash equivalents during the financial year are explained in section 1.1.6 "Consolidated Statement of Cash Flows".

1.2.8.2. Financial instruments at fair value through profit or loss

These include:

The hedging instruments are described in the following table:

<i>In € thousands (excluding tax effect) - accumulated impacts</i>	March 2017		March 2016		Change
	<i>Fair value recognised in OCI</i>	<i>Fair value recognised in profit or loss</i>	<i>Fair value recognised in OCI</i>	<i>Fair value recognised in profit or loss</i>	<i>OCI</i>
FX forward contract and swaps	-8,032		-1,230		-6,802
Options	-1,793	-8,347	-980	-10,840	-813
Accumulators		-8,168	0	-10,660	0
TRF		-2,211	0	-10,974	0
FADER			0	-900	0
Total	-9,825	-18,725	-2,211	-33,374	-7,615

<i>In € thousands (excluding tax effect)</i>	March 2017	March 2016	
Impact on net income (loss) for the year	14,649	32,860	

(In € thousands)	March 2017	March 2016
<i>Equity - hedging instruments at the opening</i>	-1,474	-6,188
Change in fair value of the effective portion	-8,502	3,177
Reclassified to the income statement	887	1,077
Declassification of held-for-trading contracts - reversed into income		2,817
Tax effect on change during the year	2,132	-2,357
<i>Equity - hedging instruments at the close</i>	-6,956	-1,474

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

- ❖ an analysis of interest rate risk faced by FIGEAC AÉRO Group is detailed in section 25 "Risk Factors" in the notes to the consolidated financial statements.

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

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

In € thousands	March 2017		March 2016	
	Fair value	Impact on income	Fair value	Impact on income
SWAP on currency €/ \$	-28,550	14,649	-35,585	32,782

1.2.9 Deferred tax

(in € thousands)

	March-16	March-17
Deferred tax	Opening	Closing
Deferred tax assets	9,075	1,069
Deferred tax liabilities	0	-10,569
Deferred tax at opening	9,075	-9,500
Deferred tax income (expense) over the period	-15,851	-6,934
Change in deferred tax recognised in shareholders' equity	-2,603	2,130
Other	-121	-2,810
Deferred tax at close	-9,500	-17,113
Of which deferred tax assets	1,069	494
Of which deferred tax liabilities	-10,569	-17,607

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

(in € thousands)

	March-16	March-17
Deferred tax analysis	Opening	Closing
Accelerated depreciation	-385	-385
Leasing	-1,747	-2,391
Employee profit sharing	211	0
Personnel benefits	713	804
Valuation of tax losses carried forward	751	751
Tax timing differences	36	36
IFRIC 21	0	0
Subsidies	-496	-358
Construction contracts	-20,256	-22,543
Financial instruments	11,873	9,904
Finance leases	-9	-9
Provisions for foreign exchange losses	0	0
Currency impact	-167	0
Group revaluation Auvergne	0	-3,252
Other	-24	330
Net deferred tax liabilities	-9,500	-17,113

1.2.10 Financial assets and liabilities

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

- ❖ Level 1 category, "market price": financial instruments that are subject to being listed on an active market;
- ❖ Level 2 category, "model with observable inputs": financial instruments that are evaluated using valuation techniques based on observable inputs;
- ❖ Level 3 category "model with unobservable inputs".

1.2.10.1 Financial assets

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

(In € thousands)

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

(In € thousands)

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

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

At 31 March 2016, financial assets at fair value were classified as follows:

(EnK€)

Actifs financiers	Prêts et créances au coût amorti	Actifs financiers à la juste valeur par résultat	Dérivés qualifiés de couverture	Total 31/03/2016	dont actifs évalués à la juste valeur
Actifs financiers non courants	2 211			2 211	
Autres actifs non courants	2 744			2 744	
Clients et autres débiteurs	60 431			60 431	
Instruments financiers			0	0	
Autres actifs courants	10 138			10 138	
Trésorerie et équivalents de trésorerie	96 197	5 637		101 834	5 637
Total actifs financiers	171 721	5 637	0	177 358	5 637

(in € thousands)

Financial assets	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	5,637			5,637

1.2.10.2 Financial liabilities

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

March-17

(in € thousands)

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

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

	Level 1	Level 2	Level 3	Fair value
Derivative financial instruments		28,582		

At 31 March 2016, financial liabilities at fair value were classified as follows:

March-16

(in € thousands)

Financial liabilities	Financial liabilities at fair value through profit or loss	Derivatives designated as hedging instruments	Other financial liabilities	31-March-16	Fair value
Loans from credit institutions			92,159	92,159	92,159
Borrowings - finance leases			39,190	39,190	39,190
Repayable advances			24,355	24,355	24,355
Other financial liabilities			3,118	3,118	3,118
Factoring			39,619	39,619	39,619
Derivative financial instruments	33,407	2,210		35,617	35,617
Trade and other payables			71,066	71,066	71,066
TOTAL FINANCIAL LIABILITIES	33,407	2,210	269,507	305,124	305,124

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

In € thousands	31-03-17			31-03-16		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Loans from credit institutions	41,988	61,713	103,701	33,893	58,266	92,159
Other debt	1,749	0	1,749	1,742	0	1,742
Finance lease liabilities	44,693	4,661	49,354	33,069	6,121	39,190
Bank lending and overdrafts	0	3,020	3,020	0	1,376	1,376
Factoring	0	50,590	50,590	0	39,619	39,619
TOTAL	88,430	119,984	208,414	68,704	105,382	174,086
Distribution by percentage	42%	58%		39%	61%	

The impact of an €0.05 increase or decrease in the average 3-month Euribor rate during the financial year on the Group's net income would be +/- €563 thousand.

All covenants on loans and bank overdrafts must be audited annually at each end of period. They are applicable to 6.08% of borrowings, i.e. €9.6 million.

As at the close of the financial year at 31 March 2017, FIGEAC AÉRO Group's business growth had significant impacts on the Net debt/Equity and Net debt/EBITDA ratios with:

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

The covenants at 31 March 2016 are detailed in the following table:

Loans subject to a covenant				Covenant		Compliance (3)
Category (1)	Year of subscription	Balance at 30/03/2016 in € thousands	Final maturity	Ratios	Calculation basis (2)	Mar 2016
<u>Loans</u> L	2,015	12,000	Jan 2021	Gross debt/equity < 2.2 Cost of debt/EBITDA < 3 EBITDA/debt servicing > 2	CFS CFS CFS	C NC C
Total		12,000				

In December 2015, Figeac Aéro S.A. obtained a €12 million loan from the EIB subject to compliance with three covenants.

At 31 March 2016, the gross debt/EBITDA ratio covenant was not met. The long-term portion of the debt, which amounted to €9.6M, was therefore reclassified in "Current portion of financial liabilities".

A waiver was obtained from the bank in December 2016 to regularise the situation.

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

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

(1) L = Loans

(2) CFS = Consolidated financial statements

(3) C = Compliant

The EBITDA/debt service ratio, calculated based on the initial contract in force on 31 March 2017 was not respected. The situation of breaching the covenant noted on 31 March 2017 contractually requires the payment of the debt, requiring changing the classification of the debt from long-term debt to short-term debt in liabilities on the balance sheet, for an amount of €7.2 million.

In June 2017, after closing, the Group signed a rider with the EIB, the purpose of which was to modify the definition of the covenant ratios applicable to the consolidated financial statements. The ratio calculated based on the rider signed after closing was respected. By respecting the newly-defined ratios, the Group extinguished the immediate payment requirement for this debt after closing.

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

1.2.12 Shareholders' equity

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

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

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

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

A capital increase reserved for employees of FIGEAC AERO was performed on 10 June 2016 at a preferential price. In accordance with IFRS 2, an expense of €37 thousand was recognised for the benefit granted to employees.

In the previous financial year, Figeac Aéro set up a free share allocation plan (new shares to be issued). This is a Group plan since it involves the employees not only of the issuing entity (Figeac Aéro) but also of MTI, Mécabrive and FGA Picardie. Under the plan, 54,888 new shares may be awarded to employees.

Pursuant to IFRS 2 "Share-based payments", an expense must be recorded when a transaction allocates equity instruments to members of personnel in accordance with service conditions. This expense is calculated based on the fair value of the equity allocated (market price of these shares) on the date of their allocation (price of 29 February 2016) and must be spread out over the vesting period (2 years).



In total, an expense of €591 thousand was recorded as an offset to reserves. This amount is also shown in the consolidated statement of changes in shareholders' equity.

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

	Number	Par value
Shares outstanding at the beginning of the year	31,779,140	0.12
Public offering on 10 Jun 2016	8,397	0.12
Shares outstanding at the end of the year	31,787,537	0.12

At 31 March 2017, share capital consisted of 31,787,537 shares of which 23,980,162 had double voting rights.

The par value of one share stood at €0.12.

1.2.13 Earnings per share

1.2.13.1 Basic earnings per share

At 31 March 2017, basic earnings per share were calculated on the basis of the consolidated income for the period attributable to Group shareholders, the details of which are as follows:

	March 2016	March 2017
<i>(In €)</i>		
	Opening	Closing
<i>Consolidated income attributable to Group shareholders</i>	<i>33,260,000</i>	<i>32,545,000</i>
Weighted average number of shares	28,099,269	31,785,904
Treasury shares held at end of period	13,944	10,775
<i>Weighted average number of shares</i>	<i>28,085,325</i>	<i>31,775,129</i>
<i>Basic earnings per share</i>	<i>1.18</i>	<i>1.02</i>

1.2.13.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2017 was carried out based on the consolidated net income (loss) for the period attributable to Group shareholders. No modification was made to this income figure. The weighted average number of potential ordinary shares for the period was 31,830,017 shares.

	March 2016	March 2017
<i>(In €)</i>		
	Opening	Closing
Weighted average number of potential shares		
Weighted average number of ordinary shares	28,085,325	31,775,129
Impact of stock option plans	54,888	54,888
TOTAL	28,140,213	31,830,017
<i>Diluted earnings per share</i>	<i>1.17</i>	<i>1.00</i>

1.2.14 Provisions

The change in provisions was as follows:

Provisions	March-16	March-17					
	Opening	Allocations	Reversals used	Reversals not used	Translation adjustment	Changes in scope	Closing
Provision for litigation	1,909	574	-1,471	0	2	91	1,106
Provision for contract loss	3,202	2,738	-1,041	0	0	0	4,899
Other provisions	74	35	0	0	6	232	347
Total provisions	5,184	3,348	-2,512	0	8	323	6,351

Other non-current provisions mainly consisted of:

- ❖ Provisions for litigation: €1,106 thousand.

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

Following a tax audit in 2015, the parent company Figeac Aero was assessed additional tax of €1.7 million for the 2011 and 2012 research tax credit in connection with the valuation of expenses deducted by the company. The eligibility of projects declared under CIR 2011 and 2012 was however not called into question. Following the Group's initial response to the tax authorities, the additional tax assessment was lowered to €1.4 million. At 31 March 2016, a provision was recognised for an amount representing the Management's and its advisors' estimate concerning the risk of likely outflows of resources related to the research tax credit.

The French tax authorities enforced payment of the claimed amount during the financial year. The company recognised the corresponding loss and proceeded with reversing the provision made.

The company is involved in a pre-litigation procedure that is still in progress. The valuation method for the research tax credit remained unchanged for the period from 2013 to 2016.

- ❖ Provision for contract losses: €4,899 thousand.

Construction contracts with expected losses from the beginning are subject to a provision for contract losses in accordance with IAS 11.

EMPLOYEE BENEFITS: Provision for retirement and provision for service awards

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

During the 2017 financial year, the provisions for pensions and other long-term employee benefits increased by €1,016 thousand and amounted to €3,095 thousand at 31 March 2017. This increase in provisions corresponds to:

- ❖ consolidation of the Auvergne Group: €677 thousand;
- ❖ service cost: €321 thousand;
- ❖ financial cost: €38 thousand;
- ❖ reversal of unused provision: <€20 thousand>;

The other calculation assumptions remain unchanged:

- ❖ a retirement age of 67;
- ❖ an average salary increase rate of 1.5%;
- ❖ a mortality rate according to the INSEE 2015 table:

Age	20 years	30 years	40 years	50 years	60 years	65 years
Men's mortality table	99,274	98,549	97,489	94,963	88,615	83,631
Women's mortality table	99,469	99,222	98 745	97,436	94,414	92,075

- ❖ a low or high 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	5.95%	1.93%	1.14%	1.26%	1.23%	0.00%
High turnover rate	7.04%	2.58%	1.75%	2.30%	2.41%	0.00%

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

- ❖ a change of +0.5% in the rate would lead to an increase of up to €355 thousand in consolidated income;
- ❖ a change of <0.5%> in the rate would lead to a decrease of <€310 thousand> in consolidated income.

Provisions for pension liabilities stood at:

	2017	2016
For all the Group's French subsidiaries	€2,991 thousand	€2,026 thousand

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

- ❖ at 31 March 2015 €1,998,000
- ❖ at 31 March 2014 €1,171,000

The provisions for pensions at the closing date of the next financial year (31/03/2018) should amount to approximately €3,214 thousand.

Retirement benefit payments paid during the 2017 financial year amounted to €20 thousand.

1.2.15 Other current debt

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

	March-16	March-17			
<i>(in € thousands)</i>					
Other current liabilities	Opening	Closing	< 1 year	1-5 years	> 5 years
Trade payables	47,227	73,164	73,164	0	0
Liabilities without assets and other receivables	3,025	7,840	7,840	0	0
Trade and other payables	50,253	81,003	81,003	0	0
Refundable advances and payments received in orders	810	2,663	2,663	0	0
Social security liabilities	14,923	18,215	18,215	0	0
Other current liabilities	890	2,026	2,026	0	0
Other current liabilities	16,623	22,904	22,904	0	0
Fiscal Liabilities	4,190	7,331	7,331	0	0
TOTAL	71,066	111,239	111,239	0	0

1.2.16 Revenue

	March-16	March-17	
By business activities	Closing	Closing	Change
Structural parts for the aeronautical industry	211,757	279,932	32.19%
General engineering and heavy sheet metal fabrication	9,568	7,418	-22.47%
On-site assembly	5,061	11,024	117.82%
Machining and surface treatment	25,958	26,358	1.54%
TOTAL	252,344	324,732	29%

March-16

March-17

By region	Closing	Closing	Change
FRANCE	180,016	244,411	35.77%
EXPORT	72,328	80,321	11.05%
TOTAL REGIONS	252,344	252,344	29%

1.2.17 Business segments

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

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

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

March 2017

(in € thousands)

BUSINESS SEGMENTS	TOTAL	Aerostructure		On-site assembly		Precision machining and surface treatment		General and industrial engineering	
			%		%		%		%
Revenue	324,732	279,932	86.20%	11,024	3.39%	26,358	8.12%	7,418	2.28%
Other income from operations	2,909	643	22.09%	0	0.00%	1,370	47.11%	896	30.80%
Change in inventories of finished products and work in progress	34,252	33,931	99.06%	-3	-0.01%	-447	-1.30%	771	2.25%
Raw materials and consumables	-182,905	-165,542	90.51%	-1,308	0.71%	-11,835	6.47%	-4,221	2.31%
Personnel expenses	-77,032	-55,633	72.22%	-7,149	9.28%	-10,758	13.97%	-3,492	4.53%
External expenses	-28,365	-23,264	82.01%	-1,169	4.12%	-3,190	11.24%	-743	2.62%
Taxes	-4,504	-3,328	73.90%	-399	8.86%	-527	11.70%	-249	5.54%
Depreciation and amortisation	-21,052	-18,546	88.09%	-437	2.07%	-1,398	6.64%	-672	3.19%
Net provisions	-5,011	-4,774	95.28%	0	0.00%	-154	3.08%	-82	1.64%
Recurring operating income	43,025	43,419	100.92%	559	1.30%	-580	-1.35%	-374	-0.87%
Operating income/Revenue	13.25%	15.51%		5.07%		-2.20%		-5.04%	
Other operating income	10,711	10,375	96.86%	34	0.31%	274	2.48%	28	0.25%
Other operating expenses	-1,203	-1,075	89.35%	-140	11.63%	5	-0.22%	7	-0.76%
Operating income	52,532	52,719	100.36%	453	0.87%	-301	-0.58%	-339	-0.65%
Actual financial income	-27,048	-26,613	98.39%	-124	0.46%	-239	0.93%	-73	0.27%
Unrealised gains and losses	14,649	14,649	100.00%	0	0.00%	0	0.00%	0	0.00%
Net income (loss) for the period	32,519	33,297	102.39%	335	1.03%	-589	-1.81%	-525	-1.61%
Net income (loss)/Revenue	10.01%	11.65%		3.04%		-2.23%		-7.07%	
Total intangible assets	55,057	53,850	97.81%	166	0.30%	688	1.25%	354	0.64%
Total property, plant and equipment	183,033	155,612	85.02%	3,865	2.11%	18,548	10.13%	5,009	2.74%
Financial assets	2,325	2,208	94.99%	2	0.10%	97	4.17%	17	0.74%
Total assets	240,415	211,669	88.04%	4,033	1.68%	19,333	8.04%	5,380	2.24%
Inventories and work in progress	237,106	227,780	96.07%	1,036	0.44%	6,603	2.78%	1,686	0.71%
Trade and other receivables	107,259	92,917	86.63%	3,834	3.57%	7,144	6.66%	3,365	3.14%
Trade and other payables	-116,397	-102,891	88.40%	-2,893	2.49%	-7,386	6.35%	-3,228	2.77%
Debt	-183,125	-172,890	94.41%	-2,909	1.59%	-3,288	1.80%	-4,038	2.21%

In March 2016, the key indicators by business segment were as follows:

March 2016

(in € thousands)

BUSINESS SEGMENTS	TOTAL	Aerostructure		On-site assembly		Precision machining and surface treatment		General and industrial engineering	
			%		%		%		%
Consolidated revenue	252,344	211,757	83.92%	5,061	2.01%	25,958	10.29%	9,568	3.79%
Other income from operations	2,932	2,434	83.01%	239	8.15%	142	4.84%	6	4.00%
Change in inventories of finished products and work in progress	29,866	29,033	97.21%	191	0.64%	886	2.97%	-244	-0.82%
Raw materials and consumables	-140,932	-124,646	88.44%	-572	0.41%	-12,044	8.55%	-3,670	2.60%
Personnel expenses	-60,132	-42,244	70.25%	-4,222	7.02%	-10,106	16.81%	-3,560	5.92%
External expenses	-22,001	-18,578	84.44%	-405	1.84%	-2,244	10.20%	-774	3.52%
Taxes	-3,246	-2,444	75.29%	-176	5.42%	-369	11.37%	-257	7.93%
Depreciation and amortisation	-18,863	-16,431	87.11%	-335	1.78%	-1,535	8.14%	-563	2.98%
Net provisions	-1,798	-1,713	95.27%	0	0.00%	-12	0.65%	-73	4.08%
Recurring operating income	38,168	37,166	97.38%	-220	-0.58%	677	1.77%	545	1.43%
Operating income/Revenue	15.13%	17.55%		-4.34%		2.61%		5.70%	
Other operating income	62	0	0.00%	0	0.00%	3	4.35%	59	95.59%
Other operating expenses	-1,607	-1,227	76.34%	-418	25.99%	27	-1.68%	10	-0.65%
Operating income	36,623	35,939	98.13%	-637	-1.74%	706	1.93%	615	1.68%
Actual financial income	-19,194	-18,837	98.14%	-122	0.64%	-179	0.93%	-56	0.29%
Unrealised gains and losses	35,054	35,054	100.00%		0.00%		0.00%		0.00%
Net income (loss) for the period	33,266	35,289	106.08%	-741	-2.23%	400	1.20%	513	1.54%
Net income (loss)/Revenue	13.18%	16.66%		-14.64%		1.54%		5.36%	
Total intangible assets	36,648	35,738	97.52%	208	0.57%	690	1.88%	11	0.03%
Total property, plant and equipment	115,632	93,597	80.94%	3,973	3.44%	13,235	11.45%	4,827	4.17%
Total financial assets	2,211	2,098	94.90%	2	0.09%	93	4.23%	17	0.78%
Total assets	154,491	131,433	85.07%	4,183	2.71%	14,019	9.07%	4,855	3.14%
Inventories and work in progress	180,592	174,099	96.40%	1,042	0.58%	4,565	2.53%	885	0.49%
Trade and other receivables (1)	73,313	62,581	85.36%	1,365	1.86%	5,412	7.38%	3,955	5.40%
Trade and other payables	-76,038	-65,629	86.31%	-2,072	2.72%	-5,276	6.94%	-3,062	4.03%
Debt	-155,704	-144,729	92.95%	-3,188	2.05%	-3,932	2.53%	-3,856	2.48%



1.2.18 Construction contracts

Details of the Group's **construction contracts** in progress at 31 March 2017 are as follows:

	March-16		March-17
Construction contracts	Opening	Change	Closing
Construction contracts in progress (inventory curve)	74,329	11,092	85,421
Work in progress and inventories of finished goods associated with IAS 11 contracts	59,383	10,852	70,235
Total capitalised work in progress contracts	133,712	21,944	155,656
Amount due to customers	0	0	0
Revenue recognised from inception of contracts	630,553	224,747	855,300
Charges incurred since inception of contracts	624,838	202,671	827,509

1.2.19 Income tax

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

	March-16	March-17
<i>(in € thousands)</i>		
Corporate tax	Opening	Closing
Tax due	1,176	685
Change in deferred tax expense	15,851	6,934
Apprenticeship tax credit	-4	-4
Provisions for tax		
Change in net tax expense	17,023	7,615

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

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

<i>(in € thousands)</i>	
in € thousands	Closing
Net income of consolidated companies before income tax and amortisation of goodwill	40,134
Income tax rate applicable to the parent company	33.33%
Theoretical tax expense	13,377
Effective income tax expense	7,615
TAX DIFFERENCE ON THEORETICAL/ACTUAL RESULTS	5,762
Impact of the tax rates applicable to foreign subsidiaries which are different from the French tax rate	501
Unactivated tax losses	-1,179
Share of expenses and charges on Group dividends	
Impact of permanent differences	
Impact of reduced tax rate and tax credit	2,920
Other nondeductible items/not taxable locally	-212
Impact related to differences in tax rates	1,284
Taxation badwill Auvergne Aéro	3,287
Other	-839
TOTAL	5,762

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

1.2.20 Note on other income from operations

Other income from operations is detailed in the following table:

<i>(in € thousands)</i>	March-16		March-17	
	Opening	Closing	Change	
Other income from operations	2,932	2,909	-0.78%	
Capitalised production	128	0	-100.00%	
Research Tax Credit	2,645	2,522	-4.65%	
Operating Grants	114	260	128.07%	
Other income from operations	45	127		
Total	2,932	2,909	-0.78%	

1.2.21 Note on other operating income and expenses

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

March-16

March-17

(in € thousands)

Other operating income and expenses	Opening	Closing
Other operating income	62	10,711
Disposal of asset components	0	390
Other nonrecurring income	62	10,227
Reversals of nonrecurring risks and charges	0	94
Total	62	10,711
Other operating expenses	-1,607	-1,203
Allocations for nonrecurring risks and charges	0	-6
NBV of asset sales	-33	0
Other nonrecurring expenses	-1,574	-1,197
Total	-1,607	-1,203

Main items of other nonrecurring income for 2017:

Badwill that came about after recognising the assets and liabilities taken over at fair value less the transferred counterparty (acquisition price) related to the first-time consolidation of the AUVERGNE AERO Group: €9,860 thousand according to the following:

In € thousands	Valuation	Net book value	Difference	Valuation method
AULNAT Building	3,900	543	3,357	According to property valuation
AULNAT Equipment	2,370	329	2,041	According to NBV of assets on the date of the takeover
CASA AERO Building	1,966	1,504	462	According to property valuation
CASA AERO current accounts	2,963	410	2,553	According to takeover value
Difference in securities valuation			2,875	According to takeover value
Difference in inventory valuation			2,040	
Takeover IFC			-677	
Total			12,650	
Tax accounting			2,790	
Net difference after taxes			9,860	

Nonrecurring subsidies: €238 thousand

Main items of nonrecurring expenses for 2017:

Customer penalties: €428 thousand

Various penalties and fines: €218 thousand

Nonrecurring depreciation and amortisation: €231 thousand

1.2.22 Note on the cost of debt

The cost of debt is detailed in the following table:

Cost of debt	March-16	March-17
	Opening	Closing
Interest and financial expenses	3,137	4,385
<i>Of which interest on borrowings</i>	2,841	3,325
Other financial income	-129	-193
<i>Of which income on financial instruments</i>	0	0
<i>Of which expenses on financial instruments</i>	0	0
Total	-3,008	-4,192

1.2.23 Transactions with subsidiaries

Related parties of the FIGEAC AERO Group were defined in accordance with IAS 24 and are presented below with details of the transactions carried out during the 2017 financial year.

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

1.2.23.1 With MP Usicap

❖ Permanent services cover the following areas:

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

The 2017 figures are as follows:

(in € thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	2,150	-657	5	1

No particular benefit was granted as part of this agreement.

1.2.23.2 With Avantis Engineering

❖ Permanent services cover the following areas:

- programming services for production resources;
- sub-assembly study services.

The 2017 figures are as follows:

(in € thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	2,450	-3,611	1,458	1,750

No particular benefit was granted as part of this agreement.

1.2.23.3 With the subsidiaries

These are entities included in the Group's scope of consolidation (see section **Erreur ! Source du renvoi introuvable.**: "Consolidated entities" in the notes to the consolidated financial statements).

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

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

1.2.23.4 With senior executives

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

By Figeac Aéro:

In €	March 2017	March 2016
Compensation of corporate officers		
Of which		
Fixed	99,138	96,000
Variable		
Exceptional		
Benefits in kind (company vehicle)	3,138	3,443
Other compensation of nonexecutive directors		
Directors' fees		
Total	102,276	99,443

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

1.2.24 Workforce

By no. of employees	March 2016	March 2017
	Opening	Closing
Workforce - France	1,404	2,139
Workforce - outside France	475	821
TOTAL	1,879	2,960

Impact of consolidation of AUVERGNE AÉRO: +679 employees

The breakdown of the workforce by business segment at 31 March 2017 is as follows:

By no. of employees	Managers	Non-managers	Total
Aerostructure	210	1,550	1,760
On-site assembly	8	167	175
Machining and surface treatment	77	858	935
General and industrial engineering	10	80	90
TOTAL	305	2,655	2,960



1.2.25 Off-balance sheet commitments

Commitments received:

<i>(In € thousands)</i>	March-16	March-17
	Opening	Closing
In € thousands		
<u>Commitments received</u>		
COFACE guarantee	44,266	48,688
OSEO UIMM guarantee	151	0
OSEO leaseback guarantee	5,945	4,661
TOTAL	50,362	53,349

Guarantees on asset components:

<i>(In € thousands)</i>	March-16					March-17				
	FIGEAC AERO	MECABRIVE	FIGEAC AERO PICARDIE	SCI REIMS	MITI	FIGEAC AERO	MECABRIVE	FIGEAC AERO PICARDIE	SCI REIMS	MITI
Investments in consolidated companies	2,000	0	0	0	0	2,000	0	0	0	0
Pledged trade receivables	0	0	0	0	0	0	0	0	0	0
Pledged research tax credit (CIR) and tax credit for competitiveness and employment (CICE)	1,364	139	0	0	0	2,973	337	0	0	0
Pledged inventories	12,000	0	0	0	0	9,600	0	0	0	0
Pledged other receivables	0	0	0	0	1,038	0	0	0	0	1,038
Pledged equipment	651	0	0	0	0	242	0	0	0	0
Mortgages/Pledges (land/bldg)	6,765	0	0	3,002	0	20,228	0	0	2,753	0
TOTAL	22,780	139	0	3,002	1,038	35,041	337	0	2,753	1,038

Commitments for operating leases:

Operating leases mainly involve leases for industrial equipment.

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

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

At 31 March 2016, the future minimum payments for these operating leases were as follows:

Total rent in € thousands	Share < 1 year	Share > 1 year and < 5 years	Share > 5 years	Total
Industrial equipment	788	879	1	1,669



The above information does not cover:

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

1.2.26 Risk factors

The Shareholders and the potential purchasers of securities must carefully consider the factors detailed below when they evaluate the Group and its business activities.

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

1.2.26.1 Legal and tax risks

To the best of our knowledge, there are no legal or tax risks related to the regulatory environment and/or the execution of contracts that are likely to have, or that have had, over the last twelve months, a significant impact on the financial situation or profitability of the Group.

1.2.26.2 Industrial and environmental risks

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

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

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

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

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

The main Group companies have internal HSE units: 4 FTEs at FIGEAC AÉRO, 1 FTE at FGA TUNISIE, 1 FTE at Mécabrive, and 1 FTE at SN Auvergne Aero.

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

- ensuring fire safety measures at the sites;



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

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

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

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

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

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

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

1.2.26.3 Credit and/or counterparty risks

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

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



A table showing the breakdown of trade receivables by maturity at 31 March 2017 is presented in note 7.

The Group has limited exposure to credit risk given the business sectors of the main counterparties, and the solvency of its main customers. Total revenue from the five largest customers accounts for 62% of overall revenue. The largest customer in terms of revenue represents 23% of the Group's overall business activity.

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

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

1.2.26.4 Operational risks

A. Risk linked to changes in the economic environment

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

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

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

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

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

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

the size of current order books, in the range of nine years for aircraft seating over 100 passengers, force extremely long delivery wait times for airline companies;

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

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

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



C. Risk of programme and production delays

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

In this regard, the Group's experience and expertise give it a practical advantage in anticipating programme delays. Furthermore, the repayable advances obtained help to reduce this risk since the repayments are tied to deliveries made. The Group can also, from time to time, be called on to open negotiations with its customers that allow it to reduce this risk. These negotiations allow it to support and secure financing for the related programmes.

Moreover, a delay in the production of its products could also have a negative impact on the business, financial situation, income and reputation of the Group, it being specified that this risk is very low from a practical standpoint, given the Group's OTD (On Time Delivery) ratio, which is 90% on average for the financial year ended 31 March 2017.

D. Risks related to the quality control of goods

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

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

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

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

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

However, this risk is very low from a practical standpoint given the defect rate measured by the Company, which was 1,750 PPM on average over the financial year ended in March 2017 (PPM: "Parts Per Million", unit of measure of the number of non-compliant parts detected per million parts) versus 1,900 PPM on average in the first quarter of 2017.

E. Raw materials risk

The Group is exposed to a raw materials risk for the following: aluminium for 34% of the value of raw materials purchased (purchased as sheets and forged), titanium for 58% of the value of raw materials purchased (purchased as sheets and forged), and other metals for 8% of the value of raw materials purchased. In order to limit risks related to raw materials, supplies are mainly covered by contracts arranged by the major customers (combinds, enablement), which allow the Group to purchase raw materials from a supplier under financial and logistical conditions previously negotiated by the major customer. In addition, these supplies are secure, since they are managed by customers (production capacity reservation directly handled with suppliers).



On average, 79% of the value of raw materials purchased are purchased under the *combid* scheme and consequently carry no price risk for the Group. Only 21% of Group purchases are carried out on the market.

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

Raw materials	Purchasing portion	Purchases carried out in <i>combid</i>	Purchases carried out outside of <i>combid</i> (tenders)
Aluminium	56%	50%	50%
Titanium	32%	80%	20%
Other metals	11%	80%	20%
Total	100%	63%	37%

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

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

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

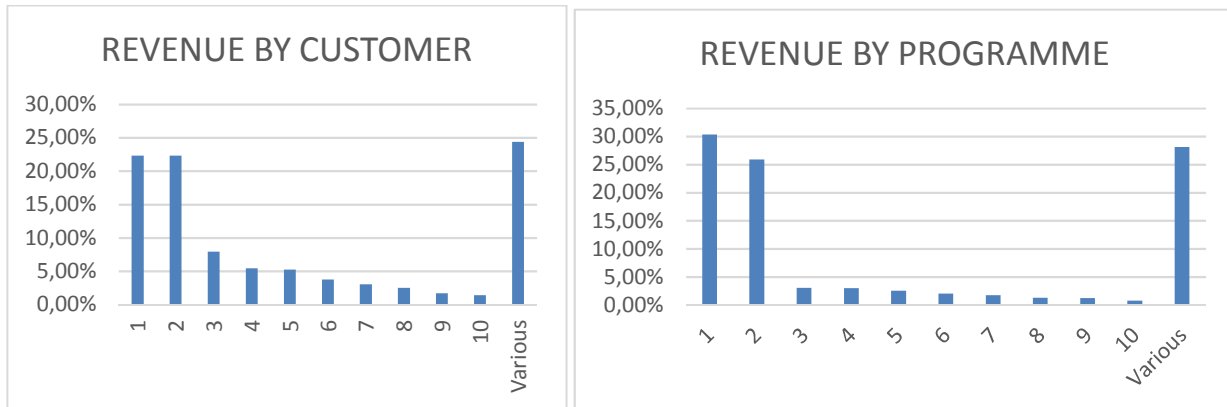
F. Risk of dependency on certain customers

The Group's customer portfolio is mainly made up of manufacturers. The contribution to revenue of the five largest customers of the Company for the financial years ended 31 March 2015, 2016, and 2017 was respectively 61%, 65% and 62%, while over the same period the overall contribution to revenue of the ten largest customers of the Company represented respectively 74%, 80% and 75%.

Furthermore, the contribution to revenue of the five largest aerospace programmes for the Company for the financial years ended 31 March 2015, 2016, and 2017 was respectively 57%, 57%, and 65%, while over the same period the overall contribution to revenue of the ten largest aerospace programmes was respectively 67%, 72% and 72%.

Main customers:

Main programmes:



(Source: Group as at 31 March 2017)

The Group's main end-customers are:

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

for regional jets: Bombardier: Embraer and ATR;

for business jets: Dassault Aviation, Bombardier and Gulfstream;

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

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

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

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

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

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

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



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

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

- technological barriers: putting together an industrial environment that is able to meet the requirements of manufacturers takes time and calls for significant financial resources to acquire high technology equipment, and the creation of the industrial environment necessary, so that this equipment can operate;
- barriers in terms of expertise: high-performance equipment requires a level of knowledge that is difficult for operators, programmers and technical support to acquire rapidly;
- logistical barriers (transport costs): raw materials are produced in the West (Europe, United States) and therefore generate significant transport costs when sent to the Far East, as well as transport costs that are just as significant to return manufactured parts or sub-assemblies to the assembly plants in Europe or the United States. With ecological constraints, these costs will only increase in the future while the unit price of manufactured parts and sub-assemblies should decrease;
- the qualification of processes and quality, logistical and industrial organisation by manufacturers takes time and requires significant financial and human resources.

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

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

H. Risks linked to technological advances

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

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

Nevertheless, production of aircraft with a significant proportion of metallic parts will continue in the coming decades, since each aircraft's characteristics are fixed for its entire life cycle. Development of composite structures therefore represents a loss of opportunity for the Group, but will have no impact on its current order book. In any case, the Group does not exclude the possibility of eventually positioning itself on the composite market segment in order to no longer be exposed to this risk. The arrival of new machining technologies (such as the development of composite structures or 3D printing) should only have a relatively small impact due to the time required for this technology to mature, which allows the Group to integrate it without compromising its economic situation.

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



in relation to the price at which the Group could market these products. These circumstances may have an unfavourable impact on the Group's business activity, financial situation, income or reputation.

1.2.26.5 Liquidity risk

To support its business development and growth, the Company must finance a substantial production cycle where it may be required to strengthen its capital or use additional funding to ensure its development. The financing of the production cycle is carried out by assigning a portion of "Trade Receivables" assets to factoring companies. At 31 March 2017, the amount covered under factoring was €50.6 million. Thus the Group is exposed to a limited risk, given the quality of its customers in terms of outstanding payments. The factoring companies contractually limit the level of outstandings for certain customers.

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

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

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

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

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

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

At 31 March 2017, a single loan is subject to a covenant (see paragraph 1.2.11). The Company's future capacity to refinance or repay its loans according to the agreed methods will depend on its future operating performance. Non-compliance with contractual commitments (for example: not repaying on time, request for a debt standstill, irremediably compromised situation) may lead to an accelerated repayment of the loan amounts due, causing the opening of negotiations with the creditor banks, the outcome of which is not guaranteed. However, the likelihood of such an occurrence is extremely low.

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



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

The maturity of financial assets and liabilities at 31 March 2017 and 31 March 2016 is presented in note 1.2.11

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

1.2.26.6 Market risk

A. Interest rate risk

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

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

B. Foreign exchange risk

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

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

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

It should be noted that the Group's revenue for the 2016-2017 financial year was 80% in US dollars.

At 31 March 2017, the Company thus invoiced its customers for 254.5 million dollars at an exchange rate of 1.0976 US dollars to 1 euro and purchased 106.8 million dollars from its suppliers.

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

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

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

- the volume of hedging: the hedging commitments amounted to nominal \$457 million for selling and \$255 million for buying at 31 March 2017 and \$481 million for selling and \$368 million for buying at 31 March 2016;



- average maturity of the hedge instruments (two to four years);
- potential euro/US dollar exchange rate volatility.

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

(in \$ thousands)	March-17	March-18	March-19
Trade receivables	67 093		
Trade payables	-20,400		
Cash and cash equivalents	4 495		
Net exposure on the balance sheet	51 187		
Projected transactions (seller)		285 091	384 251
Projected transactions (buyer)		-114,036	-153,700
Net exposure on projected transactions		171 054	230 551
Forward foreign exchange contracts - CHF - nominal	60 379		94 385
Forward foreign exchange contracts - trading - nominal	181 573		120 800
Subtotal hedging contracts (seller)	241 952		215 185
Forward foreign exchange contracts - CHF - nominal	-25,000		-400
Forward foreign exchange contracts - trading - nominal	-208,738		-20,792
Subtotal hedging contracts (buyer)	-233,738		-21,192
Net short exposure on projected transactions	110 231		169 066

The average forward price for hedge instruments is as follows:

- 2017/2018: €1 = 1.17
- 2018/2019: €1 = 1.17

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

A 10% increase (or decrease) in the euro/US dollar exchange rate would have an impact of approximately €4,300 thousand on the statement of financial position at 31 March 2017 (excluding the impact of foreign exchange contracts).

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

Risks linked to shares and other financial instruments

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

10,775 treasury shares as at 31 March 2017). The impact of fluctuations in foreign exchange rates is thus considered very low. Furthermore, the Group does not have an investment portfolio that carries shares or other financial instruments, and deems that it is not exposed to market risk.



1.2.26.7 Legal risks

A. Risk linked to intellectual property

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

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

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

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

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

B. Risks linked to the protection of information

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

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

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

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

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



C. Litigation - Legal action and arbitration

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

It also underwent a tax audit in 2015. The details of this audit are provided in note 1.2.14

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

D. Risks linked to changes in legislation and tax policies

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

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

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

1.2.27 Subsequent events

Figeac Aero obtained a waiver from the EIB on 12 June 2017, ending the statement of non-compliance with covenants of 31 March 2017 and changing the level of the EBITDA to debt service ratio to 1.6 as at 31 March 2017 until 31 March 2019 inclusive.

1.2.28 Statutory Auditors' fees

		Fees paid to Statutory Auditors and to members of their networks															
		FIDAUDIT				KPM G				SODECAL				Other Statutory Auditors			
		Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
		31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016	31/3/2016
Audit																	
Statutory audit, certification, review of individual and consolidated financial statements																	
Issuer	155,000	106,800	89%	44%	185,000	115,000	100%	31%			0%	0%			0%	0%	
Fully consolidated subsidiaries	19,820	6,740	11%	3%			0%	0%	20,900	21,061	100%	100%	8,572	7,774	100%	100%	
Other due diligence and services directly related to the mission of the Statutory Auditors																	
Issuer		129,944	0%	53%		254,000		69%			0%	0%				0%	
Fully consolidated subsidiaries			0%	0%				0%			0%	0%				0%	
Subtotal	174,820	243,484	100%	100%	185,000	369,000	100%	100%	20,900	21,061	100%	100%	8,572	7,774	100%	100%	
Other services provided by the networks to fully consolidated subsidiaries																	
Legal, tax, social			0%	0%				0%			0%	0%				0%	
Other			0%	0%				0%			0%	0%				0%	
Subtotal		0	0%	0%				0%		0	0%	0%		0	0%	0%	
Total	174,820	243,484	100.00%	100.00%	185,000	369,000	100.00%	100.00%	20,900	21,061	100.00%	100.00%	8,572	7,774	100.00%	100.00%	

