FIGEAC AÉRO CONSOLIDATED FINANCIAL STATEMENTS
AT 31ST MARCH 2020

Contents

Impact of the COVID-19 crisis

COVID-19 affected the Group during the last two weeks of its financial year because of the lockdown measures enforced by the authorities. The Group's activity was reduced to approximately 10% of its production capacity during these two weeks, and the Group had to almost completely discontinue deliveries to its customers.
During this period, the Group adjusted its variable costs (direct procurement for contracts), benefited from short-time work measures (with the corresponding compensation deducted from personnel expenses) and had to meet its fixed costs, including its amortisation charges.

The crisis partly impacted on its full-year revenue, EBITDA and current operating income.
In addition, the crisis affected its financial statements following impairment tests conducted in accordance with IAS 36; these impacts are presented in Note 5 with respect to intangible assets and in Note 6 with respect to property, plant and equipment.

Statement of consolidated financial position

ASSETS *(in thousands of euros)*	**Notes**	**31.03.2019**	**31.03.2020**
Goodwill	5	-	
Intangible assets	5	114,399	107,155
Property, plant and equipment	6	216,711	216,526
Non-current financial assets	7	3,572	3,696
Equity-accounted investments	8	2,702	2,598
Non-current derivative assets	14	2,326	
Deferred tax assets	25	14,792	20,372
Other non-current financial assets			
Non-current assets		**354,502**	**350,372**
Inventory and work in progress	10	178,272	183,591
Contract assets (1)	9	29,238	29,406
Trade and other receivables	11	85,150	50,937
Current tax assets	25	13,923	7,917
Other current assets	11	26,959	23,302
Cash and cash equivalents	12	122,418	106,811
Current assets		**455,960**	**401,964**
Total assets		**810,463**	**752,311**

LIABILITIES *(in thousands of euros)*	**Notes**	**31.03.2019**	**31.03.2020**
Capital	15	3,821	3,821
Reserves	15	183,647	190,103
Net income (loss) for the period		11,058	(55,465)
Capital issued and reserves attributable to owners of the parent company		**198,526**	**138,459**
Non-controlling interests		**(203)**	**94**
Total consolidated shareholders' equity		**198,323**	**138,553**
Provisions	16, 17	7,245	6,597
Non-current interest-bearing financial liabilities	18	312,063	285,050
Non-current derivative liabilities	14	17,211	17,458
Deferred tax liabilities	25	15,789	22,083
Other non-current liabilities	20	9,039	8,232
Non-current liabilities		**361,347**	**339,420**
Current interest-bearing financial liabilities	18	91,987	121,127
Trade and other payables	20	92,142	92,764
Contract liabilities	19	15,320	16,846
Current tax liabilities	20	14,654	7,816
Other current liabilities	20	36,691	35,785
Current liabilities		**250,794**	**274,338**
Total liabilities		**810,463**	**752,311**

(1) contract assets were reclassified as current assets for 2019 and 2020.

Consolidated income statement

(in thousands of euros)	Notes	31.03.2019	31.03.2020
Revenue	22	427,956	446,714
Other income	23	3,318	2,601
Change in inventories of finished products and WIP		10,776	(1,044)
Cost of bought-in goods and services over the financial year and external expenses	23	(269,844)	(274,360)
Personnel expenses	23	(96,528)	(104,251)
Taxes and duties		(5,969)	(6,460)
Net depreciation, amortisation and provisions	23	(36,871)	(48,954)
Current operating income		**32,838**	**14,246**
Other non-recurring operating income and expenses	23	(2,398)	(43,235)
Share of net income (loss) of joint ventures	8		(31)
Operating result		**30,440**	**(29,020)**
Cost of net debt	24	(9,733)	(9,602)
Foreign exchange gains and losses		(2,729)	(16,257)
Unrealised gains and losses on derivative financial instruments		(4,824)	1,348
Other financial income and expenses		(563)	(22)
Financial result		**(17,849)**	**(24,533)**
Profit before tax		**12,591**	**(53,553)**
Tax income (expense)	25	(1,747)	(1,955)
Net income (loss) for the period		**10,844**	**(55,508)**
Attributable:			
to owners of the parent company		11,058	(55,465)
to non-controlling interests		(214)	(42)
Net income (loss) per share attributable to owners of the parent company (in euros)	26	**0.34**	**(1.74)**
Basic earnings per share: earnings / (loss)		0.34	(1.74)
Diluted earnings per share: earnings / (loss)		0.34	(1.75)

Statement of consolidated comprehensive income

(in thousands of euros)	Notes	31.03.2019	31.03.2020
Net income (loss) for the year		**10,844**	**(55,508)**
Items reclassifiable as income (loss)		**(10,211)**	**(1,914)**
Translation adjustments		(1,156)	791
Revaluation of hedging instruments		(13,123)	(3,921)
Tax on other items reclassifiable as comprehensive income (loss)		4,068	1,216
Reclassifiable share of other items of comprehensive income (loss) of equity affiliates (net of tax)	8		
Items not reclassifiable as income (loss)		**(30)**	**316**
Actuarial gains or losses on pension liabilities and similar	17	(44)	442
Tax on other items not reclassifiable as comprehensive income (loss)		14	(126)
Non-reclassifiable share of other items of comprehensive income (loss) of equity affiliates (net of tax)			
Total other items of comprehensive income		**(10,241)**	**(1,598)**
Total comprehensive income (loss) over the period		**603**	**(57,106)**
Attributable:			
to owners of the parent company		817	(57,064)
to non-controlling interests		(214)	(42)

Statement of change in consolidated shareholders' equity

(in thousands of euros)	Capital	Additional paid-in capital	Treasury shares	Translation adjustment	Reserves of hedging instruments and defined benefit plans	Other reserves	Net income (loss)	Other	**Capital issued and reserves attributable to owners of the parent company**	Non-controlling interests	**Total**
01.04.2018	**3,821**	**118,455**	**(1,285)**	**(1,214)**	**8,182**	**50,454**	**21,790**		**200,203**	**42**	**200,245**
Net income (loss) for the period							11,058		**11,058**	(245)	**10,813**
Other items of comprehensive income					(9,085)				**(9,085)**		**(9,085)**
Acquisitions / disposals of treasury shares			(1,969)						**(1,969)**		**(1,969)**
Dividends											
Net movements in treasury shares											
Allocation to income (loss)						21,790	(21,790)				
Other				(1,156)				(525)	**(1,681)**		**(1,681)**
31.03.2019	**3,821**	**118,455**	**(3,254)**	**(2,370)**	**(903)**	**72,244**	**11,058**	**(525)**	**198,526**	**(203)**	**198,323**
									-		-
01.04.2019	**3,821**	**118,455**	**(3,254)**	**(2,370)**	**(903)**	**72,244**	**11,058**	**(525)**	**198,526**	**(203)**	**198,323**
Net income (loss) for the period							(55,465)		**(55,465)**	(42)	**(55,508)**
Other items of comprehensive income				791	(2,389)	(513)			**(2,111)**		**(2,111)**
Acquisitions / disposals of treasury shares			(2,152)						**(2,152)**		**(2,152)**
Dividends											
Net movements in treasury shares											
Allocation to income (loss)						11,058	(11,058)				
Other								(339)	**(339)**	339	
31.03.2020	**3,821**	**118,455**	**(5,406)**	**(1,579)**	**(3,292)**	**82,789**	**(55,465)**	**(864)**	**138,459**	**94**	**138,553**

Consolidated cash-flow statement

(in thousands of euros)	Notes	31.03.2019	31.03.2020
Income (loss) attributable to owners of the parent company		10,871	(55,508)
Share of income (loss) of equity affiliates		(27)	(31)
Depreciation, amortisation and provisions		41,084	92,992
Capital (gains)/losses on asset disposals			392
Other non-cash items		649	
Elimination of adjustment gains / losses (fair value)		6,695	(2,665)
Cash flow after cost of net debt and taxes		**59,272**	**35,180**
Tax expense		(845)	1,787
Cost of debt		5,510	6,336
Cash flow before cost of debt and taxes		**63,937**	**43,303**
Change in working capital requirement			
Change in inventories		(3,327)	(9,982)
Change in trade and other receivables		12,374	24,647
Change in trade and other payables		12,651	7,877
Net cash flow from operating activities		**85,635**	**65,845**
Cash flow from investing activities			
Acquisition of fixed assets		(81,774)	(66,723)
Disposals, reductions in fixed assets		8,526	9,433
Change in fixed asset receivables and liabilities		(2,640)	847
Impact of scope changes on the cash position		-	-
Net cash flow from investing activities		**(75,888)**	**(56,443)**
Cash flow from financing activities			
Loan issues		110,153	41,556
Loan repayments		(64,805)	(50,268)
Repayment of lease liabilities (*)		-	(2,121)
Acquisitions or disposals of treasury shares		(1,969)	1,302
Other financial liabilities		(11,435)	-
Interest paid		(5,510)	(6,336)
Net cash flow from financing activities		**26,434**	**(15,867)**
Increase (decrease) in cash		**36,181**	**(6,465)**
Cash position - opening date		37,165	72,951
Change in translation adjustment		(395)	**306**
Other		-	-
Cash position - closing date		72,951	66,792
Change in cash accounts		**36,181**	**(6,465)**

(*) Application of IFRS 16 since 1st January 2019

Notes to the Group's consolidated financial statements

FIGEAC AÉRO (Zone Industrielle de l'Aiguille – 46100 Figeac) is a public limited company registered in France and traded continually on compartment B of the Euronext Paris exchange.

The consolidated financial statements reflect the accounts of Figeac and its subsidiaries, whether they are controlled directly or indirectly, exclusively or jointly, and over which it has significant influence (hereinafter referred to as the "Group"). The Group's main business activities are the production of structural parts for the aerospace industry, the assembly of sub-assemblies, general engineering and sheet metal manufacturing, and surface treatment.

The financial statements are shown in thousands of euros, and all values are rounded up or down to the nearest thousand unless otherwise stated.

The consolidated financial statements at 31st March 2020 were approved by the Board of Directors' meeting held on 5th August 2020 and will be submitted for approval at the Shareholders' Meeting of 18th September 2020.

Note 1 Accounting principles and accounting methods

The consolidated financial statements of FIGEAC AÉRO and its subsidiaries are prepared in accordance with the IFRS (International Financial Reporting Standards), as published by the IASB (International Accounting Standards Board) and adopted by the European Union, as at the date on which the consolidated financial statements are approved by the Board of Directors. They include the standards approved by the IASB, i.e. the IFRS, the International Accounting Standards (ISAB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor the Standing Interpretations Committee (SIC).

Changes to accounting principles and methods

New mandatory standards, interpretations and amendments to IFRS standards applied since 1st January 2019:

- IFRS 16 "Leases";
- IFRIC 23 "Uncertainty over income tax treatments";
- Amendments to IFRS 9 "Financial instruments" - Prepayment features with negative compensation;
- Amendments to IAS 19 "Employee benefits" - Plan amendment, curtailment or settlement;
- Amendments to IAS 28 "Investments in associates and joint ventures" - Long-term interests in associates and joint ventures;
- Improvements to IFRS standards published in December 2017 (2015-2017 cycle).

The impacts of implementing IFRS 16 are presented in Note 3 "Change in accounting policy".
The other mandatory regulations applicable since 1st January 2019 have had no material impact on the Group's financial statements.

New standards, interpretations and amendments to IFRS standards published and adopted early by the Group from 1st April 2019:

None.

New standards, interpretations and amendments to IFRS standards published but not yet applicable and not adopted early by the Group:

- Amendments to IFRS 28 “Investments in associates and joint ventures” and to IFRS 10 “Consolidated financial statements” - Sales or contributions of assets between an investor and its associate or joint venture;
- Amendments to IAS 1 “Presentation of financial statements” and to IAS 8 “Accounting policies, changes in accounting estimates and errors” - Definition of material
- Amendments to IFRS 3 “Business combinations” - Definition of business
- Amendments to IFRS 9 “Financial instruments” and to IFRS 7 “Financial instruments: Disclosures” - Interest rate benchmark reform.

With the exception of the amendments to IAS 1 and IAS 8 regarding the definition of material, these new standards and amendments have not yet been adopted by the European Union and cannot, therefore, be applied early, even if this were authorised by the standard.

Accounting principles

A) Historical cost accounting convention

The Group’s consolidated financial statements are prepared according to the historical cost accounting principle, except for certain categories of assets and liabilities in accordance with the rules established by the IFRS. The categories concerned are described in the following chapters.

B) Consolidation accounting rules

The companies over which FIGEAC AÉRO has exclusive and permanent control, whether directly or indirectly, by law or by fact, are consolidated by applying the full consolidation method.

The notion of control defined by IFRS 10 is based on the following three criteria:

- power over the entity, i.e. the ability to direct the relevant activities that most significantly affect its returns;
- exposure to the entity’s variable returns, which may be positive (in the form of dividends or any other economic benefit) or negative; and
- the link between power and these returns, i.e. the ability to use power over the entity to affect the returns generated.

The full consolidation method consists in incorporating all assets, liabilities, income and expenses. The portion of equity and net income attributable to minority shareholders, meanwhile, is presented separately under minority interests (non-controlling interests) in the balance sheet and consolidated income statement.

The companies controlled jointly by FIGEAC AÉRO and other groups, or partnerships, are those for which decisions on key activities (approving budgets, appointing directors, etc.) require the unanimous consent of all partners. There are two types of partnership:

- Joint arrangements: entities in which partners have rights to the assets and obligations for the liabilities covered by the arrangement, owing to the legal form of the entity, the terms agreed in the contractual arrangement or other facts and circumstances. Each partner recognises the assets, liabilities, income and expenses relating to its interest in a joint arrangement unless a different sharing agreement has been reached;
- Joint ventures: entities in which partners only have rights to net assets. Each partner recognises its portion of net assets using the equity method.

Companies over which FIGEAC AÉRO has significant influence, or associates, are recognised using the equity method.

Significant influence is assumed to exist if the Group’s interest is equal to or over 20%.

The equity method consists in recognising an amount in the balance sheet that reflects the Group’s portion of the associate’s net assets plus, where applicable, the goodwill generated on acquisition.

The addition of a company to the consolidation scope takes effect on the date on which exclusive or joint control, or significant influence, is acquired.

The withdrawal of a company from the consolidation scope takes effect on the date on which exclusive or joint control, or significant influence, ceases.

IFRS 10 states that any change in the ownership interest of a fully-consolidated entity that does not result in a loss or gain of control must be recognised in equity attributable to the owners of the Group's parent company. This also applies to additional investments in shares, even if exclusive control was acquired as a result of a previous investment, or divestments of shares without loss of exclusive control.

A divestment of shares resulting in a loss of exclusive control, meanwhile, will be recognised in income (loss), and the proceeds will be calculated for the entire interest on the transaction date. Furthermore, certain "other items of comprehensive income" attributed to majority shareholders will be transferred to income (loss). Any remaining interest retained will be revalued at its fair value through profit or loss at the moment exclusive control is lost.

C) Elimination of intragroup transactions

All significant transactions between fully-consolidated entities are eliminated, along with all related intragroup income (dividends, proceeds from disposals).

D) Business combinations

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

The Group applies the acquisition method to recognise business combinations. The acquisition price corresponds to the sum of the fair values, on the acquisition date, of:

- the assets transferred by the Group;
- the liabilities assumed by the Group from the previous owners of the acquired entity;
- the equity interests issued by the Group in exchange for control of the acquired entity; and
- any contingent consideration.

Direct acquisition costs (transaction fees) are recognised separately from the business combination, which means that they are expensed during the period in which they are incurred.

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

Determination of goodwill

Goodwill is determined at the acquisition date as the difference between:

- the acquisition price plus the amount of non-controlling interests in the acquired entity; and
- the net amount of assets and liabilities acquired at their fair value at the acquisition date.

Goodwill may be adjusted within twelve months after the acquisition date to factor in the final estimate of the fair value of the assets and liabilities acquired. After these twelve months, any adjustments will be recognised in income (loss).

Goodwill is not amortised but subject to impairment tests conducted at least once a year and each time events or circumstances indicate that it may be impaired, in accordance with the procedure described in Note 5. If goodwill is impaired, the impairment loss is recognised in income (loss) and cannot be reversed.

E) Translation of financial statements of subsidiaries denominated in foreign currencies

The financial statements of entities whose functional currencies differ to the Group's are converted to euros using the following method:

- items in the balance sheet other than equity are converted at the exchange rates prevailing on the closing date of the financial period under review;
- items in the income statement and cash-flow statement are converted at the average exchange rates over the period;
- exchange differences are recognised as translation adjustments in the statement of comprehensive income among other items of comprehensive income.

F) Translation of transactions denominated in foreign currencies

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

Payables and receivables denominated in foreign currencies are converted at the exchange rate prevailing on 31st March. Unrealised exchange differences arising on that date are recognised in the income statement.

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

G) Closing dates

All entities ended their financial years on 31st March 2020, except for MTI, SCI REMSI, EGIMA, TES and SCI Mexique, whose financial years will end on 31st December 2020. The individual financial statements of these companies were restated to reflect significant transactions or transactions having an impact on their consolidated financial statements occurring between 1st January 2020 and 31st March 2020.

H) Revenue recognition principles

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

- pre-production;
- development other than series production;
- series production of parts and sub-assemblies.

For each source of revenue, the revenue recognition principles applicable under IFRS 15 are presented below.

<u>Pre-production activity</u>

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

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

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

<u>Development activities other than series production</u>

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

Series production of parts and sub-assemblies

This activity constitutes a distinct performance obligation. Revenue is recognised on the date of transfer of control corresponding generally to the delivery of parts and sub-assemblies to end customers.

I) Intangible assets

Separately acquired intangible assets

Separately acquired intangible assets are measured at their acquisition cost, i.e. at their fair value on the date they were acquired in a business combination.

Subsequent to the acquisition date, they are measured at cost less accumulated amortisation and impairment losses.

Intangible assets with a finite life are amortised over their useful life. Software, concessions, patents and licences are estimated to have a useful life of one to three years.

Intangible assets with an indefinite life are not amortised. No intangible assets within the Group are considered to have indefinite useful lives.

Internally generated intangible assets

The Group finances development projects primarily to improve its manufacturing processes and enhance its technical expertise, with a clear distinction made between the research phase and development phase. The costs incurred from these developments may be capitalised if all the following criteria are met:

- technical feasibility of completing the intangible asset with a view to operating or selling it;
- intention to complete the intangible asset and to operate or sell it;
- ability to operate or sell the intangible asset;
- manner in which the intangible asset will generate likely future economic benefits;
- availability of the relevant resources to complete the development and operate or sell the intangible asset; and
- ability to reliably measure the expenses that can be attributed to the intangible asset during its development.

The initially recognised amount of an internally generated intangible asset is equal to the sum of all expenses incurred starting from the date on which the intangible asset meets the criteria listed above for the first time.
With respect to the Group's business activities, all the criteria for capitalising development costs are met when the activation criteria are fulfilled.

When no internally generated intangible asset can be recognised, development costs are recognised in income (loss) for the period in which they are incurred.

Once recognised, internally generated intangible assets are measured at cost less accumulated amortisation and impairment losses.

The amortisation of development costs reflects the rate at which the economic benefits expected from the asset are used. The method used is straight-line amortisation. Useful life depends on the asset concerned. It is of 5 years.

Impairment tests are carried out on intangible assets according to the procedures described in Note 5.

J) Property, plant and equipment

Property, plant and equipment are recognised at their historical cost of acquisition or cost of production, less accumulated amortisation and impairment losses.

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

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

The depreciation periods used are as follows:

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

Interest expense directly attributable to the acquisition or production of property, plant and equipment is incorporated into the cost of this fixed asset, as long as it is not yet available for its intended use or for sale, only after a substantial period of time (generally over twelve months). There are no assets in the Group's balance sheet incorporating interest expense.

Impairment tests are carried out on property, plant and equipment according to the procedures described in Note 5.

K) Leases

Leases, as defined by IFRS 16, are recognised in the statement of consolidated financial position, which involves recognising:

- assets, corresponding to the right to use the leased asset during the duration of the lease; and
- liabilities, corresponding to the obligation to make lease payments.

The Group's leases consist mainly of property leases and its main fleet leases (vehicles, materials handling equipment, etc.).

Recognition exemptions authorised under the standard for short-term leases (of twelve months or less) and leases for low-value assets (with a unit value, when new, of less than US$5,000) were applied.

Measurement of right-of-use assets

A right-of-use asset is measured at cost on the lease commencement date, including:

- the initial amount of lease liabilities plus any advance payments made to the lessee, net of any incentives received from the lessor; and
- where applicable, initial direct costs incurred by the lessee to obtain the lease and the estimated cost of restoring or dismantling the leased asset.

A right-of-use asset is amortised on a straight-line basis over the duration of the lease. An impairment loss on the right-of-use asset can be recognised where applicable.

Measurement of lease liabilities

Lease liabilities are recognised on the lease commencement date for an amount equal to the present value of lease payments over the duration of the lease. The measurement of liabilities on lease payments includes:

- fixed lease payments;
- variable lease payments based on a rate or index using the rate or index as at the lease commencement date;
- amounts to be paid by the lessee under residual value guarantees;
- the exercise price of a purchase or renewal option if it is reasonably certain that this option will be exercised; and
- penalties to pay if the lease is terminated or not renewed.

Lease liabilities are measured at amortised cost using the effective interest method.

A deferred tax asset is recognised based on the amount of the lease liability, and a deferred tax liability is recognised based on the carrying amount of the right-of-use asset.

L) Impairment of fixed assets

Annual impairment tests are carried out on goodwill and intangible assets in progress as soon as there is an indication of impairment and irrespective of the asset concerned.
This test is carried out for a given asset or cash generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash flow which is largely independent of the cash flow generated by other assets or groups of assets.

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

- fair value less the cost of sale; and

- value in use, which is the present value of future cash flows that the asset or CGU is likely to generate. Future cash flows are determined based on four or five-year forecasts for the CGU or CGU group concerned, approved by Group Management; these cash-flows are discounted at the reference discount rate. The value in use of the assets is the sum of the present value of these cash-flows and the present value of the terminal value calculated based on normative cash-flows representative of long-term activity. The growth rates used for subsequent periods are stable. Discount rates are determined using a risk-free rate for the region concerned, plus a risk premium specific to the assets concerned.

In the event of impairment, any impairment loss recognised on goodwill is irreversible. For all other assets. an impairment charge recognised is reversed if there is a change in the estimates used to determine its recoverable value. The carrying amount of an asset that has been increased due to the reversal of an impairment loss can be no higher than the carrying amount that would have been determined, net of amortisation charges, if no impairment loss had been recognised.

An impairment charge is systematically recognised whenever an asset or CGU is impaired.

M) Equity instruments, loans and receivables

Equity instruments in non-consolidated entities are classified in the "fair value through profit or loss" category for the following reasons:

- Because of the type of assets involved, they do not generate cash-flows consisting only of payments of principal and interest on specified dates; and
- FIGEAC AERO has not opted to classify these assets in the "fair value through other comprehensive income" category.

Loans to non-consolidated entities are classified in the "amortised cost" category. They are impaired using the general approach under IFRS 9, which consists in initially measuring them by considering expected credit losses for the next 12 months and then, if the credit risk increases significantly, measuring the impairment based on expected credit losses over the remaining life of the asset.

Trade receivables and related accounts, and contract assets, are impaired using the simplified approach under IFRS 9, as these are generally short-term assets. This approach consists in calculating an impairment loss that is equal, at any given time, to the expected loss over the life of the asset.

N) Inventory and work in progress

<u>Raw materials and other supplies</u>

The gross value of raw materials and supplies includes the purchase price and related expenses (supply coefficient). Depreciation charges are recognised on raw materials that are not expected to be consumed according to the following scale:

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

Work in progress (excluding construction contracts)

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

Finished goods

Finished goods are measured using the full cost method, with the exception of expenses not related to production and any potential under-utilisation.
Depreciation charges are recognised for finished goods classified as obsolete with very low sales prospects, and are split into two categories according to the following scale:

- item classified as obsolete/maybe (might be sold): 25%
- item classified as obsolete/never (unlikely to be sold): 90%

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

O) Cash and cash equivalents

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

Because of the type of assets involved, they are measured at their market value (fair value) or amortised cost. Those measured at amortised cost are impaired using the general approach under IFRS 9.

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

P) Taxes

Income tax includes tax due and deferred tax.

Tax due

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

Deferred tax

Deferred tax results mainly from:

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

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

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

Deferred tax assets are recognised when their recovery is likely. Tax losses or timing differences must be offset against future taxable profits, up to any upper limits imposed under applicable tax laws. Deferred tax assets are reduced when it is no longer likely that sufficient taxable profit will become available.

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

Company value-added contribution (CVAE)

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

Q) Treasury shares

Treasury shares held by FIGEAC AÉRO Group are deducted from shareholders' equity. No profit or loss is recognised in the income statement when treasury shares are purchased, sold or cancelled. The consideration paid or received when these transactions occur is recognised directly in shareholders' equity.

R) Share-based payments

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

S) Derivative instruments and hedge accounting

The Group uses derivative instruments to hedge its exposures resulting from its operating and financial activities. The purpose of these derivative instruments is to hedge its exposure to exchange rate risk and interest rate risk.

Its exposure to exchange rate risk mainly concerns fluctuations in the euro/US dollar exchange rate. A significant share of the Group's revenue and payments to its suppliers is in US dollars, which is the benchmark currency used in the civil aerospace industry.

Different types of hedging instruments are used:

- vanilla currency futures;
- vanilla forex options and/or tunnels (combinations of call options and put options for an identical nominal amount);
- barrier currency options;
- accumulators, which are currency derivative instruments making it possible to accumulate currency holdings on each observation (settlement) date depending on the exchange rate relative to the guaranteed rate;
- TARFs, which are combinations of call options and put options for different nominal amounts;
- faders, which are currency derivative instruments making it possible to accumulate currency holdings on each observation (settlement) date depending on the exchange rate relative to the guaranteed rate and barriers.

Figeac Aero thus mostly uses structured products based on uncertain options (accumulators, TARFs, faders); for a given maturity, these enable it to obtain a more favourable price compared to the market price at time t. These instruments do not quality for hedge accounting, so income and expenses in foreign currencies are recorded at their counter-value in euros on the transaction date at the transaction rate and not at the projected hedge rate.
The fair value of derivative instrument is measured by an independent company and includes the value of the derivative instrument on the closing date (mark to market).

Exposure to the risk of interest rate variations concerns trade receivables financing and the financing of a portion of term debt. Interest is indexed to the Euribor rate. Some of these positions (35% of outstandings) are hedged against a significant rise in this index through interest rate swaps.

For a hedging instrument, whether a derivative or not, to qualify for hedge accounting, it is necessary to describe and document a hedge relationship between the instrument and the hedged item, and to conduct documented effectiveness tests to demonstrate its effectiveness at origination and throughout the life of the instrument.

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

With a view to guaranteeing retrospective effectiveness tests with 100% effectiveness, the “time value” component is separated from the fair value adjustments of the currency options and is thus considered ineffective.

Accounting principles for foreign exchange derivative instruments

The first two types of financial instruments (currency futures and net long forex positions) qualify for hedge accounting. The other types of derivatives do not qualify for hedge accounting as they concern net short option positions in accordance with IFRS 9.

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

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

The cumulative amounts in shareholders’ equity relating to the effective portion of the hedging instrument’s fair value adjustment are retained within equity until the underlying transaction occurs. They are then reclassified to the income statement on the same line item as the underlying transaction (revenue or purchases used in production).
For financial instruments classified as “held for trading”, the fair value adjustment is recognised in financial profit (loss).

T) Provisions

A provision is recognised:

- when there is a legal or implicit obligation that has arisen from past events;
- when it is likely that there will be an outflow of resources to extinguish the obligation; and
- when its amount can be reliably estimated.

The provisioned amount corresponds to the best estimate of the expense.
The estimated amount of provisions is analysed by Group Management with the assistance of its advisers (e.g. legal advisers) on each closing date. If the impact is material, the amount is discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability.

U) Pension liabilities and other employee benefits

In accordance with the laws and practices in each of the countries in which it operates, the Group provides its employees with post-employment benefits (retirement plans, retirement benefits, etc.) as well as other long-term benefits.

Defined contribution plans

The Group’s obligations are limited to regular payments of contributions to external organisations. The expense is recognised during the period in “Personnel expenses”.

Defined benefit plans

Provisions are calculated using the projected unit credit method, taking into consideration demographic factors (staff turnover rates, mortality table, projected salaries at the end of each employee’s career, etc.) and financial factors (discount rate, wage increase rate). The discount rate used is the bond yield on investment grade bonds (with “AA” ratings). If there is no active market, the rate used is the government bond yield.

In accordance with the amended version of IAS 19, actuarial gains or losses on defined-benefit post-employment benefits are recognised in “other items of comprehensive income” under equity and are not subsequently reclassified to income (loss).

Other long-term benefits

These benefits are provisioned as and when they are acquired by the employees concerned. The amount of the obligation is calculated using the Projected Unit Credit (PUC) method. Restatements of the obligation relating to other long-term benefits are recognised in income (loss) for the period in which they occur.

Short-term benefits

Short-term benefits are recognised in income (loss) for the period under “Personnel expenses”.

V) Tax credits, subsidies and other public aid

FIGEAC AÉRO Group benefited from public aid in the form of “repayable advances”. These advances are recognised as financial liabilities. When originated, they are measured in consideration of the cash and cash equivalents received. At each closing date, they are measured using the amortised cost method calculated based on the effective interest rate. The discount effect is recognised in financial profit (loss).

The Group’s research and development policy means that it receives a research tax credit granted to companies based in France. This research tax credit is considered a subsidy under IAS 20. It is allocated to a specific item in the income statement and has an impact on operating income; however, the share of the research tax credit that can be allocated to capitalised projects is recognised as deferred income and transferred to income over the useful lives of the assets for which the credit was granted.

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

W) 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 outstanding during the financial year restated for treasury shares.

Diluted earnings per share correspond to net income (loss) for the period attributable to the Group divided by the weighted average number of outstanding shares, taking into consideration the maximum impact in the event that all dilutive instruments are converted, i.e. all contracts that may give their holder the right to purchase ordinary shares (referred to as potential dilutive ordinary shares).

X) Business segments

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

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

Y) Other non-recurring operating income and expenses

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

Note 2 Estimates

The preparation of financial statements in accordance with IFRS requires Group Management to exercise its judgement and make estimates and assumptions that affect the application of accounting policies and recognised amounts of assets and liabilities, income and expenses. The underlying estimates and assumptions are based on past experience and other factors considered reasonable given the circumstances.

Underlying estimates and assumptions are re-examined on an ongoing basis. The impact of changes in accounting estimates is recognised during the period in which the change is made when only that period is affected, or during the period in which the change is made as well as any subsequent periods if they are also affected by the change.

Estimates are made primarily for the following items:

- Capitalised development costs: Note 5
- Contract assets: Note 9
- Fair value of derivative instruments: Note 14
- Deferred tax assets: Note 25
- Employee benefits: Note 17

Note 3 Change in accounting method

Impacts of first-time application of IFRS 16 “Leases”

The Group applied IFRS 16 “Leases” on 1st April 2019 (the standard became mandatory for financial years starting from 1st January 2019). This standard replaces IAS 17 and the IFRIC 4, SIC 15 and SIC 27 interpretations.

The assumptions used by the FIGEAC AÉRO Group among the transition options authorised under IFRS 16 are as follows:

- ➢ Use of the simplified retrospective approach. Consequently, the financial statements at 31st March 2019 were not restated;
- ➢ At 1st April 2019, companies are exempt from having to reassess the classification of existing leases recognised under IAS 17. Assets have been reclassified as right-of-use assets and lease finance liabilities are presented with lease liabilities. The provisions set out in IFRS 16 are now applied to events occurring after the transition date;
- ➢ The lease liability is measured at the present value of the remaining outstanding lease payments. The Group uses knowledge acquired ex-post, for instance to determine the duration of a lease that includes renewal or termination options;
- ➢ The right-of-use on the transition date is equal to the lease liability adjusted for the amount of lease payments made in advance or outstanding. Initial direct costs have not been incorporated into the measurement of right-of-use assets;
- ➢ The discount rate applied on the transition date corresponds to the incremental borrowing rate determined for the remaining duration of the lease;
- ➢ An exemption applies to existing leases for which the remaining term is 12 months or less at 1st April 2019 and to leases of low-value items (less than US$5,000) held by the Group.

Presentation of the impacts of applying IFRS 16 on the financial statements

<u>Impacts on the consolidated income statement</u>

In the 2019-2020 consolidated income statement, rental expenses are separated into amortisation of the right-of-use asset in current operating income and interest expense in financial profit (loss).

At 31st March 2020, application of the standard had the following impacts on the income statement:

- €2.2 million on "Depreciation and amortisation";
- €2.3 million on "External expenses"; and
- €0.2 million on "Cost of net financial debt".

Impacts on the consolidated financial position

In the statement of consolidated financial position, right-of-use assets are recognised as assets and lease obligations as liabilities.

At 31st March 2020, application of the standard had the following impacts on the consolidated financial position:

- €10.3 million on "Right-of-use assets" (versus €8.4 million at 1st April 2019);
- €6.6 million on "Long-term lease liabilities" (versus €6.6 million at 1st April 2019); and
- €1.8 million on "Short-term lease liabilities" (versus €1.8 million at 1st April 2019).

Impacts on the cash-flow statement

The cash-flow statement presents lease payments as the repayment of lease liabilities.

At 31st March 2020, application of the standard had the following impacts on the cash-flow statement:

- €2.3 million on "Cash-flow after cost of financial debt net of tax"
- €0.2 million on "Cost of net financial debt"; and
- €2.1 million on cash-flows from financing activities.

Reconciliation with off-balance sheet commitments at 31st March 2019

The reconciliation of operating lease commitments at 31st March 2019 with lease liabilities relating to former operating leases at 1st April 2019 is as follows:

(in thousands of euros)

Operating lease payments at 31st March 2019	**-4,377**
Of which payments for low-value and short-term leases at 1st January 2019	-2,375
Of which payments for low-value and short-term leases at 1st January 2020	-2,002

(in thousands of euros)

Operating lease commitments at 31st March 2020	
Debt on lease commitments at start of period (first application of IFRS 16)	8,890
New lease liabilities at end-March	1,600
Repayment of lease liabilities at end-March	-2,121
Translation adjustments	0
Lease liabilities relating to former operating leases at 1st April 2020	**8,369**

Note 4 Scope of consolidation

No acquisitions were made during financial year 2019-2020.

Changes in the consolidation scopes of Ateliers Tofer and Tofer Europe Service were attributable to the buyout of minority shareholders for a non-significant amount.

The list of consolidated entities is as follows:

	Activities	% interest	Country
FULLY-CONSOLIDATED ENTITIES			
Europe			
Figeac Aéro SA	Manufacturing of structural parts	100.00%	France
M.T.I. SAS	General engineering and heavy sheet metal manufacturing	95.64%	France
Mecabrive Industries SAS	Precision machining and surface treatment	100.00%	France
FGA Picardie SAS	On-site and workshop assembly of aerospace sub-assemblies	100.00%	France
SCI Remsi	Real estate activity	100.00%	France
Figeac Aéro Saint Nazaire	On-site and workshop assembly of aerospace sub-assemblies	100.00%	France
Figeac Aéro Auxerre	Manufacturing of structural parts	100.00%	France
SN Auvergne Aéronautique	Manufacturing of structural parts	100.00%	France
FGA Group Services	Services company	100.00%	France
Ateliers Tofer	General engineering and heavy sheet metal manufacturing	100.00%	France
Tofer Holding	Services company	100.00%	France
Tofer Service Industries	Services company	100.00%	France
Tofer Europe Service	General engineering and heavy sheet metal manufacturing	100.00%	Romania
Tofer Immobilier	Real estate activity	100.00%	France
Mat Formation	Services company	100.00%	France
North America			
Figeac Aéro USA Inc	Sales office	100.00%	USA
FGA North America Inc	Precision machining and surface treatment	100.00%	USA
SCI Mexique	Real estate activity	100.00%	Mexico
Africa			
SARL FGA Tunisie	Manufacturing of structural parts	100.00%	Tunisia
Figeac Aéro Maroc	Manufacturing of structural parts	100.00%	Morocco
Casablanca Aéronautique	Manufacturing of structural parts	100.00%	Morocco
Figeac Tunisia Process	Services company	100.00%	Tunisia
Egima	Real estate activity	100.00%	Morocco
JOINT VENTURES			
Asia			
Nanshan Figeac Aero Industry	Manufacturing of structural parts	50.00%	China

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

NANSHAN FIGEAC AERO INDUSTRY is a company that was created in October 2018; it is to receive a capital injection of $20 million, of which 50% from Figeac Aero.
Some 30% of the capital, i.e. $6 million, has been freed up (of which $3 million by Figeac Aero).
The timeline for freeing up the capital is as follows: an additional 30% 24 months after registration, 20% 48 months after registration, and the remainder 60 months after registration.

Note 5 Intangible assets

Intangible assets break down as follows:

	31.03.2019			31.03.2020		
(in thousands of euros)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Development costs	68,160	(31,021)	37,139	104,080	(68,757)	35,322
Concessions, patents & licences	1,885	(1,573)	312	3,448	(1,934)	1,514
Software	8,591	(6,640)	1,951	10,323	(7,788)	2,535
Goodwill	508	(10)	499	509	(509)	
Other intangible assets	1	(1)		1	(1)	
Intangible assets in progress	70,782	(373)	70,409	61,476	(306)	61,170
Intangible assets in progress - right-of-use lease assets	4,090	-	4,090	6,614	-	6,614
Total	**154,018**	**(39,618)**	**114,399**	**186,451**	**(79,295)**	**107,155**

The change in the value of intangible fixed assets breaks down as follows:

(in thousands of euros)	**Gross**	**Depreciation / amortisation**	**Net**
At 31.03.2019	**154,018**	**(39,618)**	**114,399**
Capitalisation of development costs (1)	29,566		29,566
Acquisitions	4,282		4,282
Disposals/write-offs	(3,934)	373	(3,561)
Depreciation and amortisation		(15,380)	(15,380)
Net impairment		(24,636)	(24,636)
Transfers	-	-	-
Translation adjustment	(4)	(34)	(38)
Changes in consolidation scope	-	-	-
Right-of-use lease assets	2,524	-	2,524
At 31.03.2020	**186,451**	**(79,295)**	**107,155**

(1) Of which €0k of interest accrued on development costs at 31st March 2020 (€0k at 31st March 2019).

The Group is in the process of upgrading its IT system; the costs of this project are capitalised. At 31st March 2020, capitalised development costs for the ERP project amounted to €30.6 million (€22.1 million at 31st March 2019).

At 31st March 2020, the continued instalment of the new ERP incurred total costs of €10.1 million (€10.3 million at 31st March 2019).

Overview of net values by type:

Type	Net amount
R&D projects	65,892
ERP project	30,600
Licences and software	4,049
Right-of-use lease assets	6,614
Total	**107,155**

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

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

FIGEAC AÉRO Group's R&D expenditure is substantial. Its pro-active R&D policy in France entitled it to a research tax credit and significant subsidies (research tax credit of €1.9 million in 2019 versus €2.1 million in 2018) recognised as "other income" in the statement of financial position.

In 2019, its total R&D expenditure represented 5.70% of Group revenue versus 6.30% in 2019. This expenditure is evidence of the Group's commitment to innovation in response to market demand.

Asset impairments

At the end of each financial year, the Group assesses whether there is any indication that an asset may be impaired. An impairment test is conducted if there is an indication of impairment: the net carrying amount of the asset is compared with its present value. If its present value falls below its carrying amount, the latter is reduced to the present value.
Owing to lower production rates as a result of the air traffic crisis triggered by the COVID-19 epidemic and uncertainty about production rates on the Boeing 737 Max programme, the Group recognised a one-off impairment charge totalling €23.9 million on certain of its development projects. (cf. Note 23 Breakdown of the other main components of operating income).

This impairment charge is calculated by comparing the project's value in use (based on production rates indicated in the data provided by aircraft manufacturers positioned in time and discounted at an annual rate of 9.30%) with the net carrying amount of these projects at 31st March 2020 (based on the impairment schedule established initially).

Note 6 Property, plant and equipment

Property, plant and equipment break down as follows:

	31.03.2019			31.03.2020		
(in thousands of euros)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Land	5,851	(814)	5,037	13,550	(2,226)	11,324
Buildings	77,641	(18,353)	59,288	78,307	(23,413)	54,894
Buildings - right-of-use lease assets	5,011	(4,172)	839	5,011	(4,755)	256
Plant machinery, equipment and tools	126,825	(67,805)	59,020	149,789	(87,537)	62,252
Plant machinery, equipment and tools - right-of-use lease assets	102,977	(41,693)	61,284	111,828	(54,123)	57,705
Improvement and preparation of land	16,403	(7,658)	8,745	20,742	(10,154)	10,598
Transportation equipment	429	(338)	91	386	(312)	74
Transportation equipment - right-of-use lease assets				481	(258)	223
Office and IT equipment	5,626	(3,925)	1,701	6,574	(4,362)	2,212
Office and IT equipment - right-of-use lease assets	2		2	2		2
Other property, plant and equipment	775	(32)	743	788	(463)	325
Plant, property and equipment in progress	17,876		17,876	14,675		14,675
Advances and down-payments on property, plant and equipment	2,085		2,085	1,996		1,996
Total	**361,501**	**(144,790)**	**216,711**	**404,129**	**(187,603)**	**216,526**

The change in the value of property, plant and equipment breaks down as follows:

(in thousands of euros)	Gross	Depreciation / amortisation	Net
At 31.03.2019	**361,501**	**(144,790)**	**216,711**
First-time application of IFRS 16 at 01.04.2019	8,890		8,890
Acquisitions	35,014		35,014
Disposals/write-offs	(8,360)	938	(7,422)
Depreciation and amortisation		(30,889)	(30,889)
Net impairment		(10,617)	(10,617)
Transfers			-
Translation adjustment	213	(42)	171
Changes in consolidation scope			-
Right-of-use lease assets	6,871	(2,203)	4,668
At 31.03.2020	**404,129**	**(187,603)**	**216,526**

Property, plant and equipment pledged as guarantees are described in detail in Note 30.

The most significant acquisitions were:

- the acquisition of 3 machines for the sheet metal business: €1,085k
- the acquisition of 6 machines for the aerostructures business: €5,742k
- the acquisition of 1 machine for the machining and surface treatment business: €625k
- the acquisition of various equipment items and fixtures: €27,562k

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

Asset impairment tests

The Group carried out annual impairment tests on its Cash Generating Units (CGUs) by comparing their values in use with their net carrying amounts.
The main CGUs identified and tested were the following:

- Figeac Aero CGU, consisting of the Group's entities that generate more than 50% of their revenue through Figeac Aero (Figeac Aero, FGA Tunisie, FGA Maroc, FGA Picardie, FGA Saint Nazaire)
- Figeac Aero North America CGU
- CGU manufacturing structural parts from metal sheets (SN Auvergne Aero)

The main assumptions used to measure the values in use of Cash Generating Units can be summarised as follows:

- Projected cash-flows are calculated based on forecasts for the CGU for the next four or five years.

- The operating forecasts used to calculate projected cash-flows incorporate general economic data, specific rates of inflation for each region, US dollar exchange rates depending on available market information, and macroeconomic assumptions for the medium term and long term. These forecasts and assumptions are those used by the Group in its medium-term business plan for the next four years; going further forward, they are based on Group Management's best estimates for its activities over the longer term;

- The value in use of each Cash Generating Unit is equal to the sum of these discounted projected cash flows plus a terminal value calculated by applying the growth rate expected for the activities under review to a normative level of cash flow from operations in the long term, often corresponding to the last year of the long-term business plan;

- The growth rate used to determine the terminal value was set at 2% for all CGUs;

- The reference discount rate used is 9.3% after tax (8% to 2019) applied to cash-flows after tax.

The impairment tests resulted in additional impairment charges over and above those recognised for the assets taken separately (€0.7 million):

- €7.68 million for the Figeac Aero CGU
- €4.8 million for the Figeac Aero North America CGU

These impairment charges were recognised for CGU assets in proportion to their value; the impacts are shown in the table below:

In thousands of euros	FIGEAC AERO CGU	Figeac Aero North America CGU	Total
Goodwill	499		499
Intangible assets	1,634	334	1,969
Property, plant and equipment	2,176	2,351	4,527
Inventory	2,264	1,582	3,846
Receivables	1,107	537	1,644
Total	7,680	4,805	12,485

Furthermore, a sensitivity analysis was carried out by adjusting the main assumptions for the discount rate and perpetual growth rate, as presented below:

Sensitivity			
WACC / Growth rate	*1.50%*	*2.00%*	*2.50%*
9.00%	*-3,577*	*18,063*	*43,032*
9.30%	*-19,698*	*0*	*22,595*
9.60%	*-34,618*	*-16,629*	*3,893*

Note 7 Financial assets

Financial assets include the following:

(in thousands of euros)	31.03.2019 Gross	31.03.2019 Amort. / deprec.	31.03.2019 Net	31.03.2020 Gross	31.03.2020 Amort. / deprec.	31.03.2020 Net
Non-consolidated investments	79	-	79	67		67
Loans	1,347	-	1,347	1,575		1,575
Other financial assets	2,146	-	2,146	2,054		2,054
Total	**3,572**		**3,572**	**3,696**		**3,696**

<u>Other financial assets</u>

Other financial assets consist primarily of deposit guarantees used in financing arrangements.

Note 8 Equity-accounted investments

The Group has investments in the Nanshan Figeac Aero Industry joint venture which it recognises using the equity method.

The financial information on Nanshan Figeac Aero Industry is summarised below:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Non-current assets		
Current assets other than cash and cash equivalents	2	5
Cash and cash equivalents	5,409	5,288
Other non-current liabilities		
Non-current financial liabilities		
Other current liabilities	(7)	(96)
Current financial liabilities		
Net assets	**5,404**	**5,197**
Group share	50%	50%
Value of equity-accounted investments	**2,702**	**2,598**

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Revenue		-
Operating result	(7)	(125)
Cost of debt		
Tax		
Net income (loss)	(7)	(125)
Other items of comprehensive income	(47)	64
Total comprehensive income (loss)	**(54)**	**(61)**
Group share	50%	50%
Share of net income (loss) of equity affiliates	**(27)**	**(31)**

Note 9 Contract assets

The change in assets recognised on costs incurred to obtain or execute contracts signed with customers breaks down as follows:

	31.03.2019			**31.03.2020**		
(in thousands of euros)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Cost of obtaining the contract						
Cost of executing the contract	29,238		29,238	32,576	(3,170)	29,406
Total	**29,238**		**29,238**	**32,576**	**(3,170)**	**29,406**

Subsequent to the asset impairment tests carried out following the new production rates announced by aircraft manufacturers on account of the COVID-19 crisis, the recoverable amount of certain contracts (9) was adjusted by a total of €3,170k.

Note 10 Inventory and work in progress

Inventory and work in progress break down as follows:

	31.03.2019			**31.03.2020**		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Inventories of raw materials	34,548	(710)	33,838	37,552	(1,750)	35,802
Inventories of other supplies	28,556	(28)	28,528	34,065	(208)	33,857
Production and services in progress	64,449	(2,198)	62,251	70,720	(4,905)	65,815
Inventories of finished goods	58,744	(5,089)	53,655	54,773	(6,656)	48,117
Total	**186,297**	**(8,025)**	**178,272**	**197,110**	**(13,519)**	**183,591**

The change in inventory and work in progress breaks down as follows:

(in thousands of euros)	**Gross**	**Impairment**	**Net**
At 31.03.2019	**186,297**	**(8,025)**	**178,272**
Change over the period	10,319		10,319
Net impairment		(5,504)	(5,504)
Transfers			
Translation adjustment	494	10	504
Changes in consolidation scope			
At 31.03.2020	**197,110**	**(13,519)**	**183,591**

In days of sales, inventory represented 150 days in March 2020 versus 152 days in March 2019.

Note 11 Trade receivables and other assets

Trade receivables and other assets break down as follows:

	31.03.2019			31.03.2020		
(in thousands of euros)	Gross	Depreciation	Net	Gross	Depreciation	Net
Trade receivables and related accounts	88,561	(3,411)	85,150	56,616	(5,679)	50,937
Tax receivables	13,923		13,923	7,917		7,917
Other current assets:			-			-
Advances and down-payments made on orders	428		428	513		513
Other receivables	22,937		22,937	19,418	(680)	18,738
Prepaid expenses	3,594		3,594	4,051		4,051
of which total other current assets	***26,959***		***26,959***	***23,982***	***(680)***	***23,302***
Total	**129,443**	**(3,411)**	**126,032**	**88,515**	**(6,359)**	**82,156**

The change in trade and other receivables breaks down as follows:

(in thousands of euros)	Gross	Depreciation	Net
At 31.03.2019	**129,443**	**(3,411)**	**126,032**
Change over the period	(40,899)		(40,899)
Net impairment		(2,941)	(2,941)
Transfers			-
First-time application of IFRS 16 at 01.04.2019			
Translation adjustment	(29)	(7)	(36)
Changes in consolidation scope			-
At 31.03.2020	**88,515**	**(6,359)**	**82,156**

The Group sells trade receivables to a factoring company.

At 31st March 2020, trade receivables transferred to the factoring company amounted to €34.1 million versus €46.8 million at 31st March 2019.

After the contractual terms were renegotiated, in the full financial year only those sales involving the transfer of rights to future cash flows from receivables and the transfer of almost all of the risks and benefits associated with ownership of receivables (payment default, risk of late payment and other reasons) resulted in the derecognition of these assets from the balance sheet in the amount of €11.1 million.

The payment schedule for trade receivables and related accounts is as follows:

(in thousands of euros)	Carrying amount at the close	< 12 months	> 12 months
At 31.03.2019			
Trade receivables and related accounts	50,937	50,937	
At 31.03.2020			
Trade receivables and related accounts	50,937	50,937	

Note 12 Cash and cash equivalents

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Marketable securities	115	100
Sight deposits	122,302	106,711
Total	**122,418**	**106,811**

The change in cash and cash equivalents breaks down as follows:

(in thousands of euros)	
At 31.03.2019	**122,418**
Changes over the period	(15,897)
Currency translation difference	290
Total	**106,811**

Note 13 Operating assets

The table below shows the net carrying amount of the Group's financial assets at 31st March 2020 and 31st March 2019:

At 31.03.2020	Balance sheet value			
(in thousands of euros)	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
Non-current financial assets	3,696			3,696
Other current assets	23,302			23,302
Trade and other receivables	50,937			50,937
Cash and cash equivalents	106,711	100		106,811
Total financial assets	**184,646**	**100**		**184,746**

At 31.03.2019	Balance sheet value			
(in thousands of euros)	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
Non-current financial assets	3,572			3,572
Non-current derivative assets		2,326		2,326
Other current assets	26,959			26,959
Trade and other receivables	85,150			85,150
Cash and cash equivalents	122,303	115		122,418
Total financial assets	**237,984**	**2,441**		**240,425**

In 2020, as in 2019, the fair value of the Group's financial assets was identical to their net carrying amount.

Fair value of financial assets

The Group used the fair value hierarchy established by IFRS 13 to determine the levels at which financial assets recognised at their fair value should be classified:

- Level 1 “market price”: financial instruments that are listed on an active market;
- Level 2 “model with observable inputs”: financial instruments measured using valuation techniques based on observable inputs; and
- Level 3 “model with unobservable inputs”: financial instruments measured using valuation techniques based for all or part on unobservable inputs; an unobservable input being defined as an input whose value is the result of assumptions or correlations that are based neither on transaction prices observable in markets for the same instrument on the valuation date, nor on observable market data available on the same date.

At 31st March 2020, the Group held the following financial assets recognised at their fair value:

At 31.03.2020 *(in thousands of euros)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative assets				
Current derivative assets				
Cash and cash equivalents	100			100
Total	**100**			**100**

At 31st March 2019, the Group held the following assets recognised at their fair value:

At 31.03.2019 *(in thousands of euros)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative assets		2,326		2,326
Current derivative assets				
Cash and cash equivalents	115			115
Total	**115**	**2,326**		**2,441**

Note 14 Derivative instruments

The Group faces currency risks as it operates in an international environment and some of its French clients pay their bills in dollars. Dollar risk is hedged using futures and option tunnels.

The Group has therefore established a natural hedging policy by making some of its purchases in dollars. Consequently, the Group invoices around 71% of its sales in dollars and pays for raw materials, supplies and sub-contracting in dollars. The Group’s natural USD dollar hedge accounts for around 43% of its exposure.

The Group uses currency hedging and interest rate hedging instruments to hedge its remaining net exposure.

Information on the value of derivative instruments

Interest rate derivative instruments

(in thousands of euros)	**Balance sheet value**			**Maturity**		
	Assets	Liabilities	Notional amount	< 1 year	1 year to 5 years	> 5 years
EUR cap		(67)	22,457		22,457	
EUR collar		(150)	48,954		48,954	
Total interest rate derivative financial instruments		**(217)**	**71,411**		**71,411**	

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Fair value at the beginning of the period	**(18)**	**(218)**
Pre-tax impact on income (loss)	(200)	(1)
Fair value at the end of the period	**(218)**	**(217)**

<u>Foreign exchange derivative instruments</u>

(in thousands of euros)	**Balance sheet value**			**Maturity**		
	Assets	Liabilities	Notional amount	< 1 year	1 year to 5 years	> 5 years
Instruments that do not qualify for hedge accounting:						
EUR/USD accumulator		10,344	284,045	52,970	231,075	
EUR/USD currency options		3,154	92,481	59,640	32,841	
Cash flow hedges:						
EUR/USD currency futures		2,326	150,897	51,747	99,150	
EUR/USD currency options		1,131				
Total currency derivative financial instruments		**16,955**	**527,423**	**164,357**	**363,066**	-
Instruments that do not qualify for hedge accounting		13,498	376,526	112,610	163,916	
Instruments that qualify for hedge accounting		3,457	150,897	51,747	99,150	
o/w held for trading		51				
o/w CFH		1,941				

Impact of derivative instruments not eligible for hedge accounting:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Fair value at the beginning of the period	**(5,618)**	**(14,279)**
Pre-tax impact on income (loss)	(8,661)	781
Fair value at the end of the period	**(14,279)**	**(13,498)**

Impact of future cash-flow hedges:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Shareholders' equity - hedging instruments (net of tax) at start of period	**10,268**	**1,212**
Fair value adjustment of the effective portion	**(14,912)**	**(5,506)**
Reclassification to income (loss)	1,788	1,586
Tax effect on changes during the period	4,068	1,216
Fair value at the end of the period	**1,212**	**(1,492)**

Breakdown of unrealised gains / losses on derivative instruments:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Unrealised gains and losses on derivative financial instruments	**(4,824)**	**1,348**
Income (loss) from forex hedging	(8,661)	781
Income (loss) from interest rate hedging	(218)	(185)
Income (loss) from the ORNANE derivative	4,049	752
Value adjustments	7	

Note 15 Shareholders' equity

The Group's primary objective in terms of capital management is to maintain a balance between its shareholders' equity and its debt in order to support its business activity and increase shareholder value.

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

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

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

Employee ownership of the Company's share capital stood at 0.29% at 31st March 2020.

At 31st March 2020, the Share Capital consisted of 31,839,473 shares, of which 24,075,823 had double voting rights.

The par value of one share stood at €0.12.

Liquidity contract – Treasury shares – Share price

Since 13 January 2014, the Company has entrusted Louis Capital Markets with implementing a liquidity contract for its shares as part of an agreement that complies with the Code of Ethics of the AMAFI (French association of financial markets). This contract aims to promote trading liquidity and the regular trading of shares as well as to avoid share price timing differences that are not justified by market trends.
An amount of €2,000,000 is allocated to this liquidity contract.

At 31 March 2020, the Company held 110,422 treasury shares acquired solely under this contract.

It will be recalled that the Combined General Meeting of 29th September 2017 authorised the Board of Directors, for a duration of 24 months, to carry out transactions on Company shares as part of a share buyback programme implemented in accordance with the provisions of Articles L. 225- 209 et seq. of the French Commercial Code and the provisions of the AMF's General Regulation.

The Company carried out this share buyback programme during the year and allocated €10 million to it. By 31st March 2020, 333,423 shares had been bought back accordingly.

The share price at 31st March 2020 stood at €4.40.

Note 16 Provisions

Provisions break down as follows:

			Provision reversals				
(in thousands of euros)	**31.03.2019**	Allocations	Used	Unused	Changes in consolidation scope	Other	**31.03.2020**
Provisions for litigation	1,363	297	(29)			(8)	1,623
Provisions for loss-making contracts	3,411	96	(613)				2,895
Other provisions	384		(150)			(5)	229
Total provisions	**5,158**	**393**	**(792)**			**(13)**	**4,747**

Other non-current provisions mainly consist of:

- Provisions for labour litigation: €1,525k
- Provisions for customer litigation: €327k

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

- Provisions for losses on contract completion: €2,895k

With no specific guidelines set out in IFRS 15, provisions are set aside for loss-making customer contracts in accordance with IAS 37 applicable to onerous contracts. The amount to be provisioned corresponds to the surplus of unavoidable costs over and above the economic benefits expected from the contract.

Note 17 Employee benefits

Pension liabilities

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

The assumptions used in the calculations for French companies are as follows:

- a retirement age of 67 years;
- use of the INSEE 2018 mortality table;
- an average salary increase rate of 1.5%;
- a staff turnover rate depending on the company and employee status (manager or non-manager);
- a reference discount rate of 1.42%.

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

- a change of +0.5% in the discount rate would have a negative impact of -€155 thousand on consolidated income (loss);
- a change of <0.5%> in the discount rate would have a positive impact of €174 thousand on consolidated income (loss).

The change in gross liabilities is as follows:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Commitments at beginning of period	**1,863**	**2,009**
Cost of services rendered	154	177
Interest expense	24	20
Actuarial gains or losses	(32)	(437)
Commitments at end of period	**2,009**	**1,769**

Service awards

The assumptions used in the calculations for French companies are as follows:

- a retirement age of 67 years;
- use of the INSEE 2018 mortality table;
- an average salary increase rate of 1.5%;
- a staff turnover rate depending on the company and employee status (manager or non-manager);
- a reference discount rate of 1.42%.

The change in gross liabilities is as follows:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Commitments at beginning of period	**68**	**78**
Cost of services rendered	6	7
Interest expense	1	1
Actuarial gains or losses	2	(5)
Commitments at end of period	**78**	**81**

Note 18 Interest-bearing financial liabilities

Interest-bearing financial liabilities include the following:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Bond issues (ORNANE)	93,080	95,010
Loans from credit institutions	156,000	127,501
Borrowings - finance leases	43,686	39,018
Lease liabilities		6,563
Repayable advances	16,432	14,028
Other financial liabilities	1,595	1,620
Accrued interest not yet due	1,270	1,310
Total non-current interest-bearing financial liabilities	**312,063**	**285,050**
Bond issues (ORNANE)		
Loans from credit institutions (1)	19,158	58,493
Borrowings - finance leases	16,848	15,142
Lease liabilities		1,806
Repayable advances	6,514	5,553
Other financial liabilities		
Short-term bank overdrafts and advances and similar	2,669	5,978
Factoring	46,798	34,155
Total current interest-bearing financial liabilities	**91,987**	**121,127**
Total interest-bearing financial liabilities	**404,050**	**406,177**

(1) Figeac Aero breached a loan covenant ratio at 31st March 2020, so all the remaining capital due on this loan was reclassified as <1-year debt (€18,466k for the >1-year and <5-year portion, €1,154k for the >5-year portion). The bank granted Figeac Aero a waiver of this covenant breach after the end of its financial year.

On 18th October 2017, FIGEAC AÉRO issued 3,888,025 bonds redeemable into cash and/or convertible into new and/or existing shares (ORNANE) for a nominal amount of €25.72 each, i.e. a total nominal amount of €100 million. The ORNANE expires on 18th October 2022.
The bonds yield interest at a rate of 1.125%
ORNANEs are considered to be instruments containing an equity component and a debt component.

The change in this item breaks down as follows:
(in thousands of euros)

At 31.03.2019	**404,050**
Increase in long-term borrowings	41,669
Decrease in long-term borrowings	(50,256)
Change in short-term financing	(2,121)
Total changes resulting from cash flows	**(10,708)**
First-time application of IFRS 16 at 01.04.2019	8,890
Net increase in lease liabilities	11,403
Accrued interest	
Change in short-term financing	(9,335)
Change in consolidation scope	
Translation adjustment	(53)
Fair value adjustment of liabilities hedged using interest rate instruments	1,930
Transfers	
Total non-cash changes	**12,835**
Total	**406,177**

Breakdown of interest-bearing financial liabilities by maturity

(in thousands of euros)	**31.03.2019**	**31.03.2020**
< 1 year (1)	91,987	121,127
> 1 year and < 5 years	268,621	268,357
5 years and more	43,442	16,693
Total	**404,050**	**406,177**

(1) Figeac Aero breached a loan covenant ratio at 31st March 2020, so all the remaining capital due on this loan was reclassified as <1-year debt (€18,466k for the >1-year and <5-year portion, €1,154k for the >5-year portion). The bank granted FIGEAC AÉRO a waiver of this covenant breach after the end of its financial year.

Breakdown of liabilities by currency

(in thousands of euros)	**31.03.2019**	**31.03.2020**
EUR	404,050	406,177
USD		
Total	**404,050**	**406,177**

Breakdown of interest-bearing financial liabilities by type of interest

(in thousands of euros)	**31.03.2019**	**%**	**31.03.2020**	**%**
Fixed rate	230,765	57%	232,171	57%
Variable rate	173,285	43%	174,006	43%
Total	**404,050**	**100%**	**406,177**	**100%**

Covenants

All covenants on bank loans and overdrafts must be audited at the end of each half-year period. Covenants apply to 28% of borrowings, i.e. €113.9 million.

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

(in thousands of euros)	Type of credit	Fixed rate	Variable rate	Total amount of credit facilities	Remaining capital due at 31/03/2019	Maturity	Covenants
	Conventional credit		1-month Euribor + spread	95,995	95,380	2,025	(1)
	Total			**95,995**	**95,380**		

(1) Net debt / Ebitda < 4

Covenants at 31st March 2020 are described in the table below:

(in thousands of euros)	Type of credit	Fixed rate	Variable rate	Total amount of credit facilities	Remaining capital due at 31/03/2020	Maturity	Covenants
	Conventional credit		1-month Euribor + spread	95,995	89,698	2,025	(1)
	Conventional credit*		1-year Euribor + spread	27,700	24,237	2,025	(2)
	Total			**123,695**	**113,935**		

* Loan obtained from the European Bank for Reconstruction and Development

(1) Net debt / Ebitda < 4.5

(2) Net debt / Ebitda < 4.5

(2) Ebitda / debt servicing > 1

(2) Net debt / equity < 1.7

(2) Cash > €75m

Ratios are calculated based on amendments in force at 31st March 2020.

Following tests carried out under IAS 36, the net debt / equity ratio calculated based on the consolidated financial statements at 31st March 2020 failed to meet the threshold ratio at the close.

This covenant breach results in the following:

- Contractually speaking, the debt becomes due for payment
- From an accounting perspective, it is reclassified as short-term debt in the debt maturity table in the amount of €19,620k.

Following the end of its financial year, the bank granted the Group a waiver of this covenant breach, thereby extinguishing the obligation to repay the debt immediately.

Note 19 Contract liabilities

Contract liabilities break down as follows:

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Advances and down-payments received	15,320	16,846
Other contract liabilities		
Total	**15,320**	**16,846**

Note 20 Trade and other payables

Trade and other payables break down as follows:

(in thousands of euros)	**31.03.2019**	Changes over the period	Changes in consolidation scope	Translation adjustment	Transfers	**31.03.2020**
Trade payables	89,708	(398)		177		89,487
Debt on fixed assets and related accounts	2,434	847		(4)		3,277
Total trade and other payables	**92,142**	**449**		**173**		**92,764**
Tax liabilities	14,654	(6,840)		2		7,816
Other current liabilities:						
Advances and down-payments received on orders	1,056	(468)				588
Social security liabilities	21,408	2,046		24		23,478
Other payables	3,855	276		52		4,183
Deferred income	10,372	(2,836)				7,536
Total other current liabilities	**36,691**	**(982)**		**76**		**35,785**
Total	**143,487**	**(7,373)**		**249**		**136,365**

Note 21 Overview of financial liabilities

The table below presents the net carrying amount of the Group's financial liabilities at 31st March 2020 and 31st March 2019:

At 31.03.2020	Balance sheet value			
	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
(in thousands of euros)				
Non-current interest-bearing financial liabilities	285,050			285,050
Current interest-bearing financial liabilities	121,127			121,127
Non-current derivative liabilities	99	17,359		17,458
Current derivative liabilities				
Other liabilities	34,155			34,155
Trade and other payables	128,549			128,549
Total financial liabilities	**568,980**	**17,359**		**586,339**

At 31.03.2019	Balance sheet value			
	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
(in thousands of euros)				
Non-current interest-bearing financial liabilities	312,063			312,063
Current interest-bearing financial liabilities	91,987			91,987
Non-current derivative liabilities	851	16,360		17,211
Current derivative liabilities				
Other liabilities	46,798			46,798
Trade and other payables	128,833			128,833
Total financial liabilities	**580,532**	**16,360**		**596,892**

In 2020, as in 2019, the fair value of the Group’s financial liabilities was identical to their net carrying amount.

The Group used the fair value hierarchy described in Note 14 “Overview of financial assets” to determine the levels at which financial liabilities recognised at their fair value should be classified.

At 31st March 2020, the Group had the following financial liabilities recognised at their fair value:

At 31.03.2020 *(in thousands of euros)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative liabilities		17,458		17,458
Current derivative liabilities				
Total		**17,458**		**17,458**

At 31st March 2019, the Group had the following financial liabilities recognised at their fair value:

At 31.03.2019 *(in thousands of euros)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative liabilities		17,211		17,211
Current derivative liabilities				
Total		**17,211**		**17,211**

Note 22 Revenue

Breakdown of revenue by business segment

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Manufacturing of structural parts for the aerospace industry	372,285	392,643
General engineering and heavy sheet metal manufacturing	15,475	14,877
On-site assembly	9,774	8,838
Machining and surface treatment	30,422	30,356
Total	**427,956**	**446,714**

Breakdown of revenue by region

(in thousands of euros)	**31.03.2019**	**31.03.2020**
France	364,670	358,764
Export	63,286	87,950
Total	**427,956**	**446,714**

Note 23 Breakdown of other components of operating income

Other income

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Research tax credit	2,956	2,297
Operating subsidies	288	270
Other operating income	74	34
Total	**3,318**	**2,601**

Cost of bought-in goods and services over the financial year and external expenses

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Supplies, raw materials and other	(156,329)	(155,370)
Merchandise	(113)	(7)
Change in inventory	10,662	8,128
Sub-contracting	(81,504)	(84,530)
Purchases not held in inventory	(7,498)	(7,432)
Maintenance, repairs	(9,842)	(10,830)
Transportation	(9,736)	(9,377)
External services	(15,484)	(14,942)
Total	**(269,844)**	**(274,360)**

Personnel expenses

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Wages and salaries	(63,328)	(71,293)
Payroll taxes	(27,006)	(26,108)
Temping staff expenses	(9,008)	(7,008)
Other payroll expenses	(438)	(2,837)
Operating expenses transferred (presented as a reduction in personnel expenses) (1)	3,252	2,995
Total	**(96,528)**	**(104,251)**

(1) 31/03/2020: Of which €446k corresponding to short-time work refunds for FIGEAC AÉRO.

Net depreciation, amortisation and provisions

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Net depreciation and amortisation charges		
- on intangible fixed assets	(8,360)	(15,007)
- on property, plant and equipment	(16,974)	(18,936)
- finance leases	(11,678)	(11,878)
- right-of-use assets	-	(2,203)
Share of subsidy transferred to the income statement	1,172	1,245
Total net depreciation and amortisation charges	**(35,840)**	**(46,779)**
Total net provisions	**(1,031)**	**(2,174)**
Net depreciation, amortisation and provisions	**(36,871)**	**(48,954)**

Other non-recurring operating income and expenses

(in thousands of euros)	**31.03.2019**	**31.03.2020**
Reversals of non-current provisions	682	1,194
Other non-recurring income	1,064	560
Capital gains and losses from asset disposals	(622)	(415)
Allocations to non-current provisions	(370)	(41,523)
Other non-recurring expenses	(3,152)	(3,051)
Total	**(2,398)**	**(43,235)**

At 31st March 2020, other extraordinary expenses consisted primarily of the remaining assets of programmes discontinued by customers (€0.5 million), the costs of renewing contracts (€0.9 million), and restructuring costs relating to the suspension of the B737 Max programme (€0.6 million).

At 31st March 2020, the Group reviewed its assets in light of the impact of the COVID-19 epidemic on the aircraft manufacturing industry.

The review resulted in the impairment of intangible assets and property, plant and equipment in the amount of €40.1 million:

	Impairment	Impairment of contract assets	Asset impairment	CGU	Total
Goodwill				0.50	0.50
Intangible assets	23.90			2.00	25.90
Property, plant and equipment			0.70	4.50	5.20
Contract assets		3.10			3.10
Inventories				3.80	3.80
Receivables				1.60	1.60
Total	23.90	3.10	0.70	12.40	40.10

Note 24 Cost of net financial debt

(in thousands of euros)	31.03.2019	31.03.2020
Financial income	**141**	**223**
Financial expenses - borrowings	(5,172)	(5,341)
Financial expenses - factoring	(3,544)	(3,206)
Interest expense on lease liabilities	(972)	(996)
Other financial expenses	(186)	(282)
Financial expenses	**(9,874)**	**(9,825)**
Cost of net debt	**(9,733)**	**(9,602)**

The average debt rate worked out at 2.48% versus 2.70% the previous financial year.

Note 25 Tax

Reconciliation between theoretical tax and effective tax

(in thousands of euros)	31.03.2019	31.03.2020
Net income (loss) for the period	10,844	(55,508)
Current tax income (expense)	(2,487)	(60)
Provisions for tax	(105)	(108)
Deferred tax income (expense)	845	(1,787)
Total tax income (expense)	**(1,747)**	**(1,955)**
Profit before tax	**12,591**	**(53,553)**
Legal tax rate of the parent company		31%
Theoretical tax		(16,601)
Impact of permanent differences		
Impact of tax loss carryforwards		(16,992)
Impact of changes in tax rates		72
Impact of overseas tax rates		978
Impact of tax credits		1,661
Other impacts		(365)
Total tax income (expense)		**(1,955)**
Effective tax rate		N/A

Deferred tax assets and liabilities

Deferred taxes are recognised using the balance sheet liability method.

The change in deferred taxes was as follows:

(in thousands of euros)	31.03.2019	31.03.2020
Deferred tax assets	8,750	14,792
Deferred tax liabilities	(14,649)	(15,789)
Deferred taxes at start of period	**(5,899)**	**(997)**
Deferred taxes recognised in the income statement	845	(1,787)
Deferred taxes recognised directly in shareholders’ equity	4,082	1,080
Transfers		
First-time application of IFRS 16 at 01.04.2020		32
Translation adjustment	(24)	(7)
Changes in consolidation scope		
Deferred taxes at end of period	**(996)**	**(1,711)**
of which deferred tax assets	14,792	20,372
of which deferred tax liabilities	(15,789)	(22,083)

The main types of deferred taxes were as follows:

(in thousands of euros)	31.03.2019	31.03.2020
Property, plant and equipment and intangible fixed assets	(3,838)	(5,054)
Financial instruments	2,469	3,299
Employee benefits	647	576
Regulated provisions	87	183
Capitalisation of tax losses	702	2,113
Other	(1,063)	(2,828)
Net deferred tax assets / (deferred tax liabilities)	**(996)**	**(1,711)**

Tax loss carryforwards

Tax loss carryforwards increased primarily with respect to Figeac Aéro, Figeac Aero Auxerre and SN Auvergne Aéronautique.

Deferred tax assets not recognised as tax loss carryforwards amounted to €17.8 million in 2020.

Note 26 Earnings per share

(in €)	31.03.2019	31.03.2020
Average number of outstanding shares	31,839,473	31,839,473
Treasury shares	266,369	443,845
Weighted average number of shares	**31,573,104**	**31,395,628**
Stock option plan	-	-
Earnings (group share) in euros	**10,844,000**	**(55,464,886)**
Earnings per share	0.34	(1.74)
Diluted earnings per share	0.34	(1.77)

	31.03.2019	31.03.2020
Liquidity agreement	67,577	110,422
Treasury share buyback plan	198,792	333,423
Total	**266,369**	**443,845**

Note 27 Risk management

Interest rate risk management

The Group’s debt is presented in Note 18 of the notes to the consolidated financial statements.

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

Currency risk management

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

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

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

It is worth noting that 71% of the Group's 2019-2020 revenue was generated in US dollars.

At 31st March 2020, FIGEAC AERO had invoiced its customers $337.9 million (+0% versus March 2019) at 1.11 US dollars per euro, and purchased $144.7 million (+14.1% versus March 2019 and 42.8% of sales) from its suppliers.

In addition, the Group often enters into hedging arrangements in order to lessen its exposure to these fluctuations, and especially to adjust to changes in the euro/dollar exchange rate. It has thus arranged a currency risk hedging policy with its banks to protect its profitability and cash and cash equivalents. This is described in Note 14.

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

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

- the hedged volume: hedging arrangements amounted to a nominal $527 million for sales at 31st March 2020 versus $566 million for sales and $67 million for procurements at 31st March 2019;

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

- potential euro / dollar exchange rate volatility.

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

In thousands of euros	**Mar-20**	**Mar-21**	**Mar-22**
Trade receivables	51,296		
Trade payables	-37,480		
Cash and cash equivalents	39,575		
Net exposure on the statement of financial position	**53,390**		
Projected sales		154,963	209,316
Projected procurements		61,985	83,726
Net exposure from projected transactions		**92,978**	**125,590**
Currency future - CFH - nominal, short		54,947	69,150
Currency future - held for trading - nominal, short		109,410	143,331
Sub-total of short hedging contracts			
Currency future - CFH - nominal, long			
Currency future - held for trading - nominal, long			
Sub-total of long hedging contracts			
Net short position on projected transactions		**43,996**	**-3,165**

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

2020 / 2021: €1 = $1,1670

2021 / 2022: €1 = $1,1560

Sensitivity analysis to the euro / dollar exchange rate

A single-figure change in the euro / dollar exchange rate would have an impact of €1.55 million on the statement of financial position at 31st March 2020 (excluding the impact of currency futures).

Lastly, the Group has an operating subsidiary in the dollar zone (Figeac Aéro North America, located in Wichita, in the United States) and a facility in the dollar zone in Mexico, enabling it to be more competitive in US dollars and limiting to a slightly greater degree its exposure to changes in the euro / dollar exchange rate.

Risks linked to shares and other financial instruments

The Group only holds shares in FIGEAC AÉRO as part of the liquidity agreement established by the Company (443,845 treasury shares at 31st March 2020). The impact of exchange rate fluctuations is thus considered to be very low. Furthermore, the Group does not have an investment portfolio carrying shares or other financial instruments, and therefore considers that it is not exposed to equity market risk.

Management of credit and counterparty risk

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

- export customers are handled through factoring contracts and, for those that are not, the Group reviews their financial position annually;
- domestic customers are handled through factoring contracts;
- the Group monitors the financial positions of a small number of subcontractors and suppliers that are considered strategic for the Group; and
- the Group's main customers are large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems, which have solid finances.

A table showing a breakdown of trade receivables by maturity at 31 March 2020 is presented in Note 11.

The Group has little exposure to credit risk given the nature of its main counterparties and the solvency of its main customers. Revenue from its five largest customers accounted for 83% of overall revenue versus 77% the previous year. The largest customer in terms of revenue accounts for 25% of the Group's total revenue.

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

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

Liquidity risk management

Because of its line of business and growth, the Group needs to finance a considerable production cycle where it may be required to strengthen its capital or resort to additional funding to secure its development. The production cycle is financed by transferring a portion of its trade receivables to factoring companies. At 31st March 2020, the amount of trade receivables under factoring contracts was €34.1 million. The Group is thus exposed to little risk in terms of trade receivables given the quality of its customers and the fact that factoring companies contractually limit the amount of payments outstanding for certain customers.

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

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

- higher costs and slower progress than forecast on research and development programmes;

- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;

- costs incurred in response to technological developments in the industry and to secure the manufacturing and marketing of its products; and

- new opportunities to develop new products or to acquire new technologies, products or companies.

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

- delay, reduce or cancel research and/or investment programmes;

- obtain funds through industrial partnership agreements that could force it to give up the rights to certain elements of its technology or certain of its products; or

- grant licences or sign agreements that may be less favourable than those it could have obtained in different circumstances.

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

At 31st March 2020, two of the Group's loans were subject to covenants (Cf. Note 18). The Group's future capacity to refinance or repay its loans in accordance with the contractual terms will depend largely on its future operating performances. Non-compliance with contractual commitments (e.g. a late repayment, a request for a debt standstill agreement or an irremediably compromised situation) may lead to accelerated repayment of the loan amounts due; this may require negotiations to be opened with creditor banks, the outcome of which cannot be guaranteed. However, the likelihood of such an occurrence is extremely low.

In this situation, the Group may have to reduce or delay its investment spending, seek out additional capital or restructure its debt.

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

The maturity of the Group's financial assets and liabilities at 31st March 2020 and 31st March 2019 is presented in Notes 13, 18 and 20.

The Group performed specific reviews of its liquidity risk and believes it is able to honour its payment terms for the next twelve months. The available cash reported as assets in the balance sheet stood at €106.8 million at 31st March 2020.

Note 28 Related parties

Related parties of the FIGEAC AÉRO Group are defined in accordance with IAS 24 and presented below with details of the transactions carried out during the 2020 financial year.

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

<u>Related party transactions</u>

Permanent services cover the following areas:

- machining services for aerospace parts;
- legal, accounting and administrative assistance;
- programming services for production equipment; and
- sub-assembly study services.

The 2020 figures are as follows:

(in thousands of euros)	Income	Expenses	Receivables	Payables
MP USICAP	139	3,496	79	707
Avantis Engineering	0	664	0	25
Total	**139**	**4,160**	**79**	**732**

<u>Executive pay</u>

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

(in thousands of euros)			**31.03.2019**	**31.03.2020**
Fixed compensation			114	186
Variable compensation				
Benefits in kind			2	2
Directors' fees			30	30
Total	**-**	**-**	**146**	**218**

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

Note 29 Workforce

(In number of employees)	**31.03.2019**	**31.03.2020**
Headcount - France	1967	1,897
Headcount - outside France	1487	1,451
Total	**3,454**	**3,348**

A breakdown of the workforce by business segment at 31st March 2020 is as follows:

(In number of employees)	Managers	Non-managers	**Total**
Aerostructures	495	2244	2,739
On-site assembly	7	101	108
Machining and surface treatment	30	315	345
General engineering and sheet metal manufacturing	25	131	156
Total	**557**	**2,791**	**3,348**

Note 30 Off-balance sheet commitments and contingent liabilities

Commitments received by the Group at the end of its financial year were as follows:

	31.03.2020				31.03.2019
(in thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	Total
Pledges, mortgages and collateral securities	12,048	40,386	1,687	54,121	60,009
Total	**12,048**	**40,386**	**1,687**	**54,121**	60,009

Commitments given by the Group at the end of its financial year were as follows:

	31.03.2020				31.03.2019
(in thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	Total
Pledges, mortgages and collateral securities	2,050	7,424	11,077	20,551	22,426
Total	**2,050**	**7,424**	**11,077**	**20,551**	22,426

Note 31 Events after the closing date

FIGEAC AÉRO and AMI, which manages its sourcing of raw materials, decided to discontinue their relationship with effect as from 31st August 2020. FIGEAC AÉRO is thus insourcing a large volume of the management of its raw materials sourcing and procurement.
This arrangement will have:

- a positive impact on the Company's profitability as it will save on the margin it generated for AMI and thus make better use of its own resources
- an impact on its working capital requirement owing to the carrying costs of this inventory

To finance the repercussions of the COVID-19 epidemic, the Group obtained state-guaranteed loans (PGEs) from its banks amounting to a total of €80 million.

The EBRD granted FIGEAC AÉRO a waiver of a contractual covenant breach.

Note 32 Fees paid to statutory auditors

	KPMG				Mazars			
	Amount		%		Amount		%	
(in thousands of euros)	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
A - Fees relating to the certification of accounts								
A.1 - Figeac Aéro (issuer)	165	148	69%	82%	175	148	88%	92%
A.2 - Subsidiaries	33	33	14%	18%	3	3	2%	2%
Sub-total	**198**	**181**	**83%**	**100%**	**178**	**151**	**89%**	**100%**
B - Fees relating to other services								
B.1 - Figeac Aéro (issuer)	42		18%		22		11%	
B.2 - Subsidiaries								
Sub-total					**22**		**11%**	
Total	**240**	**181**	**100%**	**100%**	**200**	**151**	**100%**	**100%**