FIGEAC AÉRO CONSOLIDATED FINANCIAL STATEMENTS ON 31st MARCH 2021

Summary

Impact of the Covid-19 crisis

Financial year affected by the public health crisis

Financial year 2020/21 was severely affected by the global Covid-19 pandemic. The crisis took a heavy toll on all sectors of the global economy, particularly the aerospace industry as contractors suddenly ceased or pushed back deliveries.

Global air traffic plummeted during the period, prompting contractors across the board to slash their delivery schedules and focus on drawing down their stocks in the short term.

In these unprecedented circumstances, FIGEAC AERO Group's revenue for financial year 2020/21 came to €204.6 million, which is 54.2% lower year-on-year. At constant scope and exchange rates, the Group's revenue fell by 52.8%. Invoicing bottomed out during the summer of 2020.

The table below shows the impacts for each of the main aircraft programmes in which the Group is involved:

	Annual production rates		Variation vs pre-Covid
Programme	Pre-Covid	Post-Covid (1)	production rates
A350	108	60	-44.44%
A320	720	480	-33.33%
A220	80	38	-52.50%
B787	120	63	-47.50%
B777/777X	60	24	-60.00%
B737	0	0	
Global 7500	34	21	-38.24%

(1) Post-Covid production rates announced by aircraft manufacturers - impact on financial year

With all the resilience initiatives that were rolled out so rapidly, the Group was able to lower its operating expenses over the financial year, including:

- a reduction in personnel expenses thanks to adjustments made to the payroll (of which a targeted plan to reduce the headcount) and economic support measures granted by the public authorities (including furlough arrangements) (see Note 23),
- savings generated on production costs and overheads (See Note 23).

The Group made use of the following measures in particular to protect its cash position:

- state-guaranteed loans obtained amounting to €79.3m. The Group exercised the option offered to loan subscribers to repay the loans over 5 years with a 12-month grace period on capital repayments;
- a €14.8 million ATOUT loan obtained from BPI France;
- a furlough scheme covering 907,802 hours and corresponding to €9,807k compensation. This furlough scheme was extended to March 2021. The Group applied long-term short-time working (APLD) arrangements starting from 1st April 2021;
- all precarious work contracts discontinued;
- redundancies in Group entities outside France: FGA Tunisie, FGA Maroc, Casa Aero, the Mexican facility, Figeac Aero North America;
- a scheme to postpone payroll tax payments amounting to €13.2m. These amounts will be settled within timeframes ranging from 24 to 36 months depending on the organisations concerned;
- a scheme to postpone lease payments amounting to €8,065k. These amounts will be paid after the initial repayment schedule.
- a scheme to postpone bank loan repayments amounting to €4,018k. These amounts will be paid after the initial repayment schedule, i.e. 6 months after they were initially due.

FIGEAC AÉRO took on board these unprecedented circumstances by immediately introducing an operational optimisation plan - **Transformation 21** - focused on two top priorities:

- It rapidly rolled out a series of measures to achieve structural fixed cost cuts and optimise its production facilities, the aim being to mitigate the impact of sharply lower business volumes on the Group's margins. These measures included:
  - a reduction in personnel expenses and general and administrative expenses,
  - a drive to streamline the Group's production sites, for instance by merging its Moroccan units,
  - selective insourcing of some of the purchases that were previously outsourced,
  - optimised use of raw materials,
  - streamlined general purchases.

The Transformation 21 plan began to pay off in the second half of the year, enabling the Group to report a comfortably positive current EBITDA figure. These effects will continue to generate positive effects in the financial year started 1st April 2021 and in subsequent years.

- It secured long-term financial resources to ensure the Group's business continuity.

The Group launched two PSEs (employment protection plans) to adapt its cost base:

- 220 positions at FIGEAC AÉRO,
- 21 positions at FGA Picardie.

These PSEs were authorised by the relevant State departments in December 2020 and January 2021.

The full costs of the adjustments made to the payroll impacting on this financial year amounted to €11.9 million (€4.4 million paid out, net provisions of €7.5m)

The Group is also keen to maintain its competitive standing and prepare for the economic difficulties lying ahead as well as their repercussions on jobs; it therefore launched safeguard proceedings for its FIGEAC AÉRO Auxerre subsidiary (in the 2nd half of the year) with the aim of looking for a buyer.

In these circumstances, the Group was able to win some new large-scale contracts:

- a 'programme life' contract with Collins Aerospace to produce structural parts for high-precision nacelles and sub-assemblies for the A320, A321 and B787 programmes,
- a Long-Term Agreement with Rolls Royce to supply casings to be fitted on the A350's engines,
- a contract with STELIA to supply a sizeable package of detail machining and sheet metal parts specifically for the Airbus 220 programme.

FIGEAC AÉRO sold some of its raw materials inventory (€10m) to AEROTRADE under an agreement whereby FIGEAC AÉRO would buy back its inventory according to its consumption. An analysis of this transaction led to the sale being derecognised and to the inventory being kept on the balance sheet, with the transaction amount recognised as a current asset. The cash flow is recognised as such in the consolidated statement of cash flows.

Going concern and liquidity

Besides the measures described above, the Company obtained the following additional financing and agreements to postpone repayment deadlines over the course of 2020/21:

- state-guaranteed loans totalling €79.2 million,
- an ATOUT loan from BPI amounting to €14.8 million,
- the postponement of lease and loan repayments totalling €12.6 million,
- a €2.6 million subsidy from BPI to roll out the new ERP across the Group,
- a €3.1 million subsidy from the Occitanie regional authority as financial support for an R&D project,
- a raw materials inventory sales and repurchase agreement with AEROTRADE amounting to €10 million.

The Group's available cash stood at €80.4 million at 31st March 2021, enabling it to meet its near-term cash payment deadlines.

The Company's creditors agreed to waive accelerated repayment clauses following its breach of the financial ratios stipulated in its financing agreements expiring on 30st September 2021 and 31st March 2022.

The Company had already obtained waivers for its agreements expiring on 31st March 2021 before the end of the 2021 financial year.

The Company has updated its cash flow projections on a 12-month rolling basis. These projections are based on various assumptions including revenue and expenditure schedule for the initiatives adopted under the Transformation 2021 plans, which are uncertain by nature.

Based on these projections, the Company’s available cash at 31st March 2021 would enable it to meet its cash payment deadlines for the 12 months ahead.

Cash trends since the start of the financial year are consistent with these projections.

FIGEAC AÉRO has also closely examined its economic and financial situation in order to assess its financing needs between now and the financial year ending March 2025.

Talks are already well underway with several financial partners to adjust existing financing arrangements and also to set up additional financing, including the following options:

- a capital increase,
- recourse to the various institutional economic stimulus mechanisms introduced both in France and in other countries in which the Group operates,
- backing from the Company’s long-standing financial partners,
- the arrangement of other alternative types of funding,
- an adjustment to the terms and conditions applicable to the Group’s ORNANEs (bonds redeemable into cash and/or new and/or existing shares) of a nominal amount of €91 million and expiring on 18th October 2022.

By the end of this process, the Company’s balance sheet will be healthier and better suited to its strategy, thus enabling it to remain securely on the path towards value-creating growth.

Based on the cash projections offering visibility out to 12 months starting from the date on which the Board of Directors reviewed the financial statements, on the initiatives taken in response to the public health crisis, and on the advanced talks underway with the Company’s financial partners, the Board of Directors of FIGEAC AÉRO SA approved the full-year financial statements at 31st March 2021 according to the going concern accounting principle.

Statement of consolidated financial position

ASSETS *(€k)*	Notes	31.03.2020	31.03.2021
Goodwill	4	-	
Intangible assets	4	100,541	101,333
Property, plant and equipment	5	151,985	132,310
Right-of-use assets	6	71,155	63,948
Non-current financial assets	7	3,696	8,013
Equity-accounted investments	8	2,598	2,561
Non-current derivative assets	14		3,076
Deferred tax assets	25	20,372	7,013
Other non-current financial assets			
Non-current assets		**350,347**	**318,254**
Inventory and work in progress	10	183,591	179,952
Contract assets (1)	9	29,406	27,518
Trade and other receivables	11	50,937	36,327
Current tax assets	25	7,917	7,063
Other current assets	11	23,302	22,522
Cash and cash equivalents	12	106,811	80,470
Current assets		**401,964**	**353,852**
Total assets		**752,311**	**672,106**

LIABILITIES *(€k)*	Notes	31.03.2020	31.03.2021
Capital	15	3,821	3,821
Reserves	15	190,103	137,950
Net income (loss) for the period		(55,465)	(57,145)
Capital issued and reserves attributable to owners of the parent company		**138,459**	**84,626**
Non-controlling interests		**94**	**62**
Total consolidated shareholders' equity		**138,553**	**84,688**
Provisions	16, 17	6,597	14,412
Non-current interest-bearing financial liabilities (2)	18	285,050	266,571
Non-current derivative liabilities	14	17,458	3,139
Deferred tax liabilities	25	22,083	7,435
Other non-current liabilities	20	8,232	8,677
Non-current liabilities		**339,420**	**300,234**
Current interest-bearing financial liabilities (2)	18	121,127	161,638
Trade and other payables	20	92,764	44,812
Contract liabilities	19	16,846	15,355
Current tax liabilities	25	7,816	9,108
Other current liabilities	20	35,785	56,271
Current liabilities		**274,338**	**287,184**
Total liabilities		**752,311**	**672,106**

(1) Contract assets were reclassified as current assets for 2020 and 2021.

(2) The principal amount outstanding on the syndicated and EBRD loans is classified as current liabilities because the waivers enabling these loans to be reclassified as non-current liabilities were not obtained until after year-end. Impact: €88,633k

Consolidated income statement

(€k)	Notes	31.03.2020	31.03.2021
Revenue	22	446,714	204,649
Other income	23	2,601	2,123
Change in inventories of finished products and WIP		(1,044)	(24,134)
Cost of bought-in goods and services over the financial year and external expenses	23	(274,360)	(108,276)
Personnel expenses	23	(104,251)	(69,080)
Taxes and duties		(6,460)	(4,384)
Net depreciation, amortisation and provisions	23	(48,954)	(46,849)
Current operating income (loss)		**14,246**	**(45,951)**
Other non-recurring operating income & expenses	23	(43,235)	(18,121)
Share of net income (loss) of joint ventures	8	(31)	(59)
Operating income (loss)		**(29,020)**	**(64,131)**
Cost of net debt	24	(9,602)	(5,457)
Foreign exchange gains and losses		(16,257)	(1,547)
Unrealised gains and losses on derivative instruments		1,348	11,888
Other financial income and expenses		(22)	(26)
Financial income (loss)		**(24,533)**	**4,858**
Profit before tax		**(53,553)**	**(59,273)**
Tax income (expense)	25	(1,955)	2,099
Net profit (loss) for the period		**(55,508)**	**(57,174)**
Attributable:			
to owners of the parent company		(55,465)	(57,145)
to non-controlling interests		(42)	(29)
Net income (loss) per share attributable to owners of the parent company (€)	26	**(1.74)**	**(1.79)**
Basic earnings per share: earnings / (loss)		(1.74)	(1.79)
Diluted earnings per share: earnings / (loss)		(1.75)	(1.82)

Statement of consolidated comprehensive income

(€k)	Notes	31.03.2020	31.03.2021
Net income (loss) for the year		**(55,508)**	**(57,174)**
Items reclassifiable as income (loss)		**(1,914)**	**3,743**
Translation adjustments		791	(222)
Revaluation of hedging instruments		(3,921)	5,507
Tax on other items reclassifiable as comprehensive income (loss)		1,216	(1,542)
Reclassifiable share of other items of comprehensive income (loss) of equity affiliates (net of tax)	8		
Items not reclassifiable as income (loss)		**316**	**(560)**
Revaluation of net liabilities (assets) of defined benefit plans	17	442	(778)
Tax on other items not reclassifiable as comprehensive income (loss)		(126)	218
Non-reclassifiable share of other items of comprehensive income (loss) of equity affiliates (net of tax)			
Total other items of comprehensive income		**(1,598)**	**3,183**
Total comprehensive income (loss) over the period		**(57,106)**	**(53,991)**
Attributable:			
to owners of the parent company		(57,064)	(53,963)
to non-controlling interests		(42)	(29)

Statement of change in consolidated shareholders' equity

(€k)	Capital	Additional paid-in capital	Treasury shares	Translation adjustment	Reserves - 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**
01.04.2019	**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**	**138,552**
									-		-
01.04.2020	**3,821**	**118,455**	**(5,406)**	**(1,579)**	**(3,292)**	**82,789**	**(55,465)**	**(864)**	**138,459**	**94**	**138,552**
Net income (loss) for the period							(57,145)		**(57,145)**	(29)	**(57,173)**
Other items of comprehensive income				(222)	3,404				**3,182**		**3,182**
Acquisitions / disposals of treasury shares			116						**116**		**116**
Dividends									-		-
Net movements in treasury shares									-		-
Allocation to income (loss)						(55,465)	55,465		-		-
Other								14	**14**	(3)	**11**
31.03.2021	**3,821**	**118,455**	**(5,290)**	**(1,801)**	**112**	**27,324**	**(57,145)**	**(850)**	**84,626**	**62**	**84,688**

Consolidated cash-flow statement

(€k)	Notes	31.03.2020	31.03.2021
Net income (loss) for the year		(55,508)	(57,174)
Depreciation, amortisation and provisions		92,992	62,261
Capital (gains)/losses on asset disposals		392	2,462
Other non-cash items			
Elimination of adjustment gains / losses (fair value)		(2,665)	(10,507)
Cash flow after cost of net debt and taxes		**35,211**	**(2,958)**
Tax expense		1,787	(2,594)
Cost of debt		6,336	4,597
Cash flow before cost of debt and taxes		**43,334**	**(955)**
Change in working capital requirement			
Change in inventories		(9,982)	4,295
Change in trade and other receivables		24,647	18,095
Change in trade and other payables		7,877	(35,766)
Net cash flow from operating activities		**65,876**	**(14,331)**
Cash flow from investing activities			
Acquisition of fixed assets		(66,723)	(29,877)
Disposals, reductions in fixed assets		9,433	2,223
Change in receivables and payables on fixed assets		847	(1,736)
Impact of scope changes on the cash position		-	
Net cash flow from investing activities		**(56,443)**	**(29,390)**
Cash flow from financing activities			
Loan issues		41,556	93,592
Loan repayments		(50,268)	(46,330)
Repayment of lease liabilities		(2,121)	(14,312)
Acquisitions or disposals of treasury shares		1,302	115
Advances received on orders - Aerotrade			10,193
Other financial liabilities		-	-
Interest paid		(6,336)	(4,597)
Net cash flow from financing activities		**(15,867)**	**38,661**
Increase (decrease) in cash		**(6,434)**	**(5,060)**
Cash position - opening date		72,951	66,792
Change in translation adjustment		306	(192)
Other		-	-
Cash position - closing date		66,792	61,540
Change in cash accounts		**(6,465)**	**(5,060)**

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 the Euronext C Paris exchange.

The consolidated financial statements reflect the accounts of the FIGEAC company 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 2021 were approved by the Board of Directors' meeting held on 6th August 2021 and will be submitted for approval at the Shareholders' Meeting of 24th September 2021.

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 2020:

- Amendments to IFRS standards following publication of the conceptual framework;
- 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 - phase 2;
- Amendments to IFRS 16 "Covid-19-related rent concessions".

New standards, interpretations and amendments to IFRS standards published and adopted early by the Group from 1st April 2020:

None.

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

- Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities as current or non-current;
- Amendments to IAS 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;
- Improvements to IFRS standards published in May 2020 (2018-2020 cycle);
- Amendments to IAS 16 "Property, plant and equipment" - Proceeds from selling items before intended use;
- Amendments to IFRS 3 "Business combinations" - Reference to the conceptual framework;

- Amendments to IAS 37 “Provisions, contingent liabilities and contingent assets” - Onerous contracts - cost of fulfilling a contract;
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest rate benchmark reform”;
- Amendments to IAS 8 “Definition of accounting estimates”.

These new standards and amendments have not yet been adopted by the European Union and therefore cannot be applied early, even if this is 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.

<u>Determination of goodwill</u>

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 2021, except for MTI, SCI REMSI, EGIMA, TES and SCI Mexique, whose financial years ended 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 2021 and 31st March 2021.

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.

Pre-production activity

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.

Development activities other than series production

Revenue from development activities not relating to series production is 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.

<u>Measurement of right-of-use assets</u>

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.

<u>Measurement of lease liabilities</u>

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 AÉRO 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

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

no movement in 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.

<u>Tax due</u>
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.

<u>Deferred tax</u>
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.

<u>Company value-added contribution (CVAE)</u>

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 commercial 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 AÉRO 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 qualify 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 (20% 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.

<u>Accounting principles for foreign exchange derivative instruments</u>
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 & 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 4
- Contract assets: Note 9
- Fair value of derivative instruments: Note 14
- Deferred tax assets: Note 25
- Employee benefits: Note 17

Note 3 Scope of consolidation

No acquisitions were made during financial year 2020/21.

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 AÉRO.
Some 30% of the capital, i.e. $6 million, has been freed up (of which $3 million by FIGEAC AÉRO).
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. Due to the delayed schedule for rolling out operations, the timeline for freeing up the capital has also been pushed back. This timeline has not been updated.

Note 4 Intangible assets

Intangible assets break down as follows:

(€k)	31.03.2020 Gross	31.03.2020 Amort. / deprec.	31.03.2020 Net	31.03.2021 Gross	31.03.2021 Amort. / deprec.	31.03.2021 Net
Development costs	104,080	(68,757)	35,322	137,241	(82,095)	55,146
Concessions, patents & licences	3,448	(1,934)	1,514	3,652	(2,111)	1,541
Software	10,323	(7,788)	2,535	12,932	(8,923)	4,009
Goodwill	509	(509)	-	509	(509)	-
Other intangible assets	1	(1)	-	1		1
Intangible assets in progress	61,476	(306)	61,170	40,943	(306)	40,637
Total	**179,837**	**(79,295)**	**100,541**	**195,278**	**(93,944)**	**101,333**

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

(€k)	Gross	Depreciation / amortisation	Net
Au 31.03.2020	**179,837**	**(79,295)**	**100,541**
Capitalisation of development costs (1)	32,575		32,575
Acquisitions	18,853		18,853
Disposals/write-offs	(1,283)	67	(1,216)
Depreciation and amortisation		(11,019)	(11,019)
Net impairment		(3,734)	(3,734)
Transfers	(34,744)		(34,744)
Translation adjustment	40	37	77
Changes in consolidation scope			-
Au 31.03.2021	**195,278**	**(93,944)**	**101,333**

The Group is in the process of upgrading its IT system; the costs of this project are capitalised. At 31st March 2021, net capitalised development costs for the ERP project amounted to €38.2 million (€30.6 million at 31st March 2020).

At 31st March 2021, the continued instalment of the new ERP incurred total costs of €7.7 million (€10.1 million at 31st March 2020).

Overview of net values by type:

Type	Net amount
R&D projects	57,553
ERP project	38,230
Licences and software	5,550
Total	**101,333**

The Group's R&D investment policy focuses on new machining systems (aerostructures 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 €0.7 million in 2020 versus €1.9 million in 2019) recognised as "other income" in the statement of financial position.

In 2021, its total R&D expenditure represented 4% of its revenue versus 5.7% in 2020. This expenditure is evidence of the Group's commitment to innovation in response to market demand.

<u>Asset impairments</u>

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 recoverable 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 €3.6 million at 31st March 2021 (€23.9 million at 31st March 2020) on some of its development projects.

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 9.3%) with the net carrying amount of these projects at 31st March 2021 (based on the impairment schedule established initially).

Note 5 Property, plant and equipment

Property, plant and equipment break down as follows:

	31.03.2020			31.03.2021		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Land	5,645	(675)	4,970	5,667	(775)	4,892
Buildings	78,307	(23,413)	54,894	78,190	(25,627)	52,563
Plant machinery, equipment and tools	149,789	(87,537)	62,252	154,141	(102,183)	51,958
Improvement and preparation of land	20,742	(10,154)	10,588	21,607	(12,113)	9,494
Transportation equipment	386	(312)	74	392	(334)	58
Office and IT equipment	6,574	(4,362)	2,212	7,074	(4,926)	2,148
Other property, plant and equipment	788	(463)	325	817	(604)	213
Plant, property and equipment in progress	14,675		14,675	9,180		9,180
Advances and down-payments on property, plant and equipment	1,996		1,996	1,804		1,804
Total	**278,902**	**(126,916)**	**151,985**	**278,872**	**(146,562)**	**132,310**

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

(€k)	**Gross**	**Depreciation / amortisation**	**Net**
Au 31.03.2020	**278,902**	**(126,916)**	**151,985**
Acquisitions	9,595		9,595
Disposals/write-offs	(8,785)	8,844	59
Depreciation and amortisation		(24,466)	(24,466)
Net impairment		(3,996)	(3,996)
Transfers			-
Translation adjustment	(840)	(28)	(868)
Changes in consolidation scope			-
At 31.03.2021	**278,872**	**(146,562)**	**132,310**

The most significant acquisitions were:

- the acquisition of one machine for the Aerostructures business: €2,009k
- the acquisition of various equipment items and fixtures: €7,586k

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

The Group is also committed to honouring the firm orders it has placed for machines according to the following schedule:

Firm orders for machines	**Mar-22**	**Mar-23**	**Mar-24**
Number of machines	1	5	1
Amount (€k)	1,284	14,813	1,549

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 AÉRO CGU, consisting of the Group's entities that generate more than 50% of their revenue through Figeac Aero (FIGEAC AÉRO, FGA Tunisie, FGA Maroc, FGA Picardie, FGA Saint Nazaire)
- FIGEAC AÉRO 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 five years;

- 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 concerned 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 (identical to 2020) applied to cash flows after tax.

The operating forecasts used to calculate projected cash flows have been updated to factor in the new aircraft delivery schedules and the expected revision to the margin owing to the updated operational action plan approved by Group Management.
The Group has not updated its assumptions following the announcement made by Airbus on 27th May 2021 about its new delivery schedule.
Activity levels under the 5-year business plan established for the FIGEAC AÉRO CGU are projected to be 94% of pre-Covid levels.
Activity levels are expected to return to normal in the financial year ending March 2027.

At 31st March 2020, the tests had prompted the company to recognise the following provisions:

- €7.68 million for the FIGEAC AERO CGU
- €4.8 million for the FIGEAC AÉRO North America CGU

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

€k	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

The asset impairment test carried out at 31st March 2021 led to no changes to the impairment losses recognised at 31st March 2020.

Furthermore, an enterprise value sensitivity analysis was carried out by adjusting the main assumptions for the discount rate and perpetual growth rate:
The table below shows the impacts of the impairment losses recognised.

Sensitivity	**(€k)**		
WACC / Growth rate	*1.50%*	*2.00%*	*2.50%*
9.00%	*339*	*18,933*	*40,741*
9.30%	*-17,051*	*0*	*21,498*
9.60%	*-32,856*	*-17,430*	*178*

In addition, the following sensitivity analyses were carried out based on the same discount rate and same perpetual growth rate:

- Sensitivity to the euro/dollar exchange rate:

Sensitivity to €/$ exchange rate	
1.25	*-33,991*
1.2	*0*
1.15	*32,478*

- Sensitivity to a return to normal activity:

Pushed back by 1 year	*-29,319*
Brought forward by 1 year	*15,098*

The impact of changes in enterprise value on impairment losses recognised at 31.03.2021 is estimated as follows:

1. Downward change in EV: equivalent impact in terms of provisions for impairment
2. Upward change in EV: impairment reversals would be limited to €12 million

Note 6 Leases

Right-of-use assets break down as follows:

	31.03.2020			**31.03.2021**		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Right-of-use property assets	12,916	(6,305)	6,611	12,461	(8,324)	4,137
Right-of-use production equipment assets	111,828	(54,123)	57,705	116,564	(65,384)	51,180
Right-of-use transportation equipment assets	482	(258)	224	585	(500)	85
Other right-of-use assets	6,616		6,616	9,760	(1,214)	8,546
Total	**131,842**	**(60,686)**	**71,155**	**139,370**	**(75,422)**	**63,948**

The change in the value of right-of-use assets breaks down as follows:

(€k)	**Gross**	**Depreciation / amortisation**	**Net**
At 31.03.2020	**131,841**	**(60,685)**	**71,156**
Increase in right-of-use assets	8,411		8,411
Terminations and transfers	(980)	3	(977)
Depreciation and amortisation		(14,700)	(14,700)
Net impairment			-
Translation adjustment	98	(40)	58
At 31.03.2021	**139,370**	**(75,422)**	**63,948**

The most significant acquisitions were:

- the acquisition of four machines for the Aerostructures segment: €5,259k
- the acquisition of machines for the Sheet Metal Manufacturing segment: €840k
- the acquisition of machines for the General Engineering segment: €612k

Note 7 Financial assets

Financial assets include the following:

	31.03.2020			31.03.2021		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Non-consolidated investments	67		67	67		67
Loans	1,575		1,575	1,785		1,785
Other financial assets	2,054		2,054	6,161		6,161
Total	**3,696**	**-**	**3,696**	**8,013**	**-**	**8,013**

Other financial assets

Other financial assets consist primarily of deposit guarantees used in financing arrangements. The €4.1 million change in other financial assets consists of a deposit guarantee recoverable in August 2021.

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:

(€k)	31.03.2020	31.03.2021
Non-current assets		
Current assets other than cash and cash equivalents	5	13
Cash and cash equivalents	5,288	5,121
Other non-current liabilities		
Non-current financial liabilities		
Other current liabilities	(96)	(11)
Current financial liabilities		
Net assets	**5,197**	**5,123**
Group share	50%	50%
Value of equity-accounted investments	**2,598**	**2,561**

(€k)	31.03.2020	31.03.2021
Revenue		-
Operating income (loss)	(125)	(117)
Cost of debt		
Tax		
Net income (loss)	(125)	(117)
Other items of comprehensive income	64	
Total comprehensive income (loss)	**(61)**	**(117)**
Group share	50%	50%
Share of net income (loss) of equity affiliates	**(31)**	**(59)**

Note 9 Contract assets

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

	31.03.2020			31.03.2021		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Cost of obtaining the contract			-			-
Cost of executing the contract	32,576	(3,170)	29,406	31,136	(3,618)	27,518
Total	**32,576**	**(3,170)**	**29,406**	**31,136**	**(3,618)**	**27,518**

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 on certain contracts (9) was adjusted by a further €448k.

Note 10 Inventory and work in progress

Inventory and work in progress break down as follows:

	31.03.2020			31.03.2021		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Inventories of raw materials	37,552	(1,750)	35,802	60,846	(2,429)	58,417
Inventories of other supplies	34,065	(208)	33,857	34,844	532	35,376
Production and services in progress	70,720	(4,905)	65,815	45,872	(6,153)	39,719
Inventories of finished goods	54,773	(6,656)	48,117	51,505	(5,065)	46,440
Total	**197,110**	**(13,519)**	**183,591**	**193,067**	**(13,115)**	**179,952**

The raw materials inventory includes inventory carried by AEROTRADE.

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

(€k)	**Gross**	**Amort. / deprec.**	**Net**
At 31.03.2020	**197,110**	**(13,519)**	**183,591**
Change over the period	(3,393)		(3,393)
Net impairment		419	419
Transfers			-
Translation adjustment	(650)	(15)	(665)
Changes in consolidation scope			-
At 31.03.2021	**193,067**	**(13,115)**	**179,952**

In days of sales, net inventory represented 320 days in March 2021 versus 150 days in March 2020.

Note 11 Trade receivables and other assets

Trade receivables and other assets break down as follows:

	31.03.2020			31.03.2021		
(€k)	Gross	Amort. / deprec.	Net	Gross	Amort. / deprec.	Net
Trade receivables and related accounts	56,616	(5,679)	50,937	41,555	(5,228)	36,327
Tax receivables	7,917		7,917	7,063		7,063
Other current assets:			-			-
Advances and down-payments made on orders	513		513	1,443		1,443
Other receivables	19,418	(680)	18,738	17,155	(597)	16,557
Prepaid expenses	4,051		4,051	4,522		4,522
of which total other current assets	***23,982***	***(680)***	***23,302***	***23,120***	***(597)***	***22,522***
Total	**88,515**	**(6,359)**	**82,156**	**71,738**	**(5,825)**	**65,912**

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

(€k)	Gross	Amort. / deprec.	Net
At 31.03.2020	**88,515**	**(6,359)**	**82,156**
Change over the period	(16,848)		(16,848)
Net impairment		535	535
Translation adjustment	71	(1)	70
At 31.03.2021	**71,738**	**(5,825)**	**65,912**

The Group sells trade receivables to a factoring company.
At 31st March 2021, trade receivables transferred to the factoring company amounted to €17.4 million versus €34.1 million at 31st March 2020.
Only sales involving the transfer of rights to future cash flows from receivables and the transfer of almost of all 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 to the tune of €7.4 million.

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

(€k)	Carrying amount at the close	< 12 months	> 12 months
At 31.03.2020			
Trade receivables and related accounts	50,937	50,937	
At 31.03.2021			
Trade receivables and related accounts	36,327	36,327	

Note 12 Cash and cash equivalents

(€k)	31.03.2020	31.03.2021
Marketable securities	100	100
Sight deposits	106,711	80,370
Total	**106,811**	**80,470**

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

(€k)	
At 31.03.2020	**106,811**
Changes over the period	(26,279)
Currency translation difference	(62)
Total	**80,470**

Note 13 Fair value of financial assets

The table below shows the net carrying amount of the Group's financial assets at 31st March 2021 and 31st March 2020:

At 31.03.2021	Balance sheet value			
	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
(€k)				
Non-current financial assets	8,013			8,013
Non-current derivative assets		3,076		3,076
Other current assets	22,522			22,522
Trade and other receivables	36,327			36,327
Cash and cash equivalents	80,370	100		80,470
Total financial assets	**147,232**	**3,176**	**-**	**150,408**

At 31.03.2020	Balance sheet value			
	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
(€k)				
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**

In 2021, as in 2020, 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 2021, the Group held the following financial assets recognised at their fair value:

At 31.03.2021 *(€k)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative assets		3,076		3,076
Current derivative assets				
Cash and cash equivalents	100			100
Total	**100**	**3,076**	**-**	**3,176**

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

At 31.03.2020 *(€k)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative assets				-
Current derivative assets				
Cash and cash equivalents	100			100
Total	**100**	**-**	**-**	**100**

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 61% of its sales by its French entities in dollars and pays for raw materials, supplies and sub-contracting in dollars. The Group's natural USD dollar hedge accounts for around 52% 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

(€k)	Balance sheet value			Maturity		
	Assets	Liabilities	Notional amount	< 1 year	1 year to 5 years	> 5 years
EUR cap		(55)	22,084	21,900	22,084	
EUR collar		138	17,052		17,052	
Total interest rate derivative instruments	-	**(193)**	**39,135**	**21,900**	**39,135**	

(€k)	31.03.2020	31.03.2021
Fair value at the beginning of the period	**(218)**	**(217)**
Pre-tax impact on income (loss)	(1)	24
Fair value at the end of the period	**(217)**	**(193)**

Foreign exchange derivative instruments

Sell positions

(€k)	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		-34	192,658	42,098	150,560	
EUR/USD currency options		-137				
Cash flow hedges:						
EUR/USD currency futures	920		32,550	28,650	3,900	
EUR/USD currency options	1,867		41,900	21,900	20,000	
Total currency derivative instruments	2,788	**-171**	**267,108**	**92,648**	**174,460**	-
Instruments that do not qualify for hedge accounting		-171	192,658	42,098	150,560	
Instruments that qualify for hedge accounting	2,788		74,450	50,550	23,900	

Buy positions

(€k)	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	-	1 462	33 287		33 287	
EUR/USD currency options						
Cash flow hedges:						
EUR/USD currency futures	-	739	22 325	21 025	1 300	
EUR/USD currency options						
Total currency derivative instruments	**-**	**2 201**	**55 612**	**21 025**	**34 587**	**-**
Instruments that do not qualify for hedge accounting	-	1 462	33 287	-	33 287	
Instruments that qualify for hedge accounting	-	739	22 325	21 025	1 300	

Impact of derivative instruments not eligible for hedge accounting:

(€k)	**31.03.2020**	**31.03.2021**
Fair value at the beginning of the period	**(14,279)**	**(13,498)**
Pre-tax impact on income (loss)	781	11,865
Fair value at the end of the period	**(13,498)**	**(1,633)**

Impact of future cash flow hedges:

(€k)	**31.03.2020**	**31.03.2021**
Shareholders' equity - hedging instruments (net of tax) at start of period	**1,212**	**(1,492)**
Fair value adjustment of the effective portion	**(5,506)**	**7,092**
Reclassification to income (loss)	1,586	**(1,586)**
Tax effect on changes during the period	1,216	(1,542)
Fair value at the end of the period	**(1,492)**	**2,473**

Breakdown of unrealised gains / losses on derivative instruments:

(€k)	**31.03.2020**	**31.03.2021**
Unrealised gains and losses on derivative instruments	**1,348**	**11,888**
Income (loss) from forex hedging	781	11,865
Income (loss) from interest rate hedging	(185)	24
Income (loss) from the ORNANE derivative	752	(1)
Value adjustments		

Note 15 Shareholders' equity

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

To maintain or adjust the structure of its shareholders' equity, the Group may propose to pay 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 profit sharing in the Company's share capital amounted to 0.24% at 31 March 2021.

At 31st March 2021, the share capital consisted of 31,839,473 shares, of which 24,086,913 had double voting rights.

The par value of one share stood at €0.12.

<u>Liquidity contract – Treasury shares – Share price</u>

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 2021, the Company held 91,859 treasury shares acquired solely under this contract.

Under the share buyback agreement which expired last year, the Company held 333,423 shares at 31st March 2021.

The share price at 31st March 2021 stood at €5.31.

Note 16 Provisions

Provisions break down as follows:

(€k)	**31.03.2020**	Increases in provisions	Used	Unused	Changes in consolidation scope	Other	**31.03.2021**
Provisions for risks and litigation	1,852	373	(529)			18	1,714
Provisions for restructuring	-	7,472					7,472
Provisions for loss-making contracts	2,895	110	(484)				2,521
Total provisions	**4,747**	**7,955**	**(1,013)**	**-**	**-**	**18**	**11,707**

Other non-current provisions mainly consist of:

- Provisions for labour litigation: €1,347k
- Provisions for customer litigation: €367k

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

Provisions for the PSEs (employment protection plans) at FIGEAC AÉRO and FGA Picardie €7,472k

- Provisions for losses on contract completion: €2,521k

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

<u>Pension liabilities</u>

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;
- reference to 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 0.74%.

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 -€234k on consolidated income (loss);
- a change of <0.5%> in the discount rate would have a positive impact of €264k on consolidated income (loss).

The change in gross liabilities is as follows:

(€k)	**31.03.2020**	**31.03.2021**
Commitments at beginning of period	**2,009**	**1,769**
Cost of services rendered	177	43
Interest expense	20	25
Actuarial gains or losses	(437)	758
Commitments at end of period	**1,769**	**2,595**

Service awards

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

- a retirement age of 67 years;
- reference to 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 0.74%.

The change in gross liabilities is as follows:

(€k)	**31.03.2020**	**31.03.2021**
Commitments at beginning of period	**78**	**81**
Cost of services rendered	7	7
Interest expense	1	1
Actuarial gains or losses	(5)	20
Commitments at end of period	**81**	**109**

Note 18 Interest-bearing financial liabilities

Interest-bearing financial liabilities include the following:

(€k)	31.03.2020	31.03.2021
Bond issues (ORNANE)	95,010	87,762
Loans from credit institutions	127,501	123,892
Lease liabilities	45,581	40,556
Repayable advances	14,028	11,402
Other financial liabilities	1,620	1,556
Accrued interest not yet due	1,310	1,403
Total non-current interest-bearing financial liabilities	**285,050**	**266,571**
Bond issues (ORNANE)		
Loans from credit institutions (1)	58,493	120,660
Lease liabilities	16,948	16,137
Repayable advances	5,553	5,911
Other financial liabilities		
Short-term bank overdrafts and advances and similar	5,978	1,512
Factoring	34,155	17,418
Total current interest-bearing financial liabilities	**121,127**	**161,638**
Total interest-bearing financial liabilities	**406,177**	**428,209**

(1) The principal amount outstanding on the syndicated and EBRD loans is classified as current liabilities because the waivers enabling these loans to be reclassified as non-current liabilities were not obtained until after year-end. Impact: €88,633k

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:

(€k)	
At 31.03.2020	**406,177**
Increase in long-term borrowings	93,592
Decrease in long-term borrowings	(60,642)
Change in short-term financing	10,193
Total changes resulting from cash flows	**43,143**
Net increase in lease liabilities	8,420
Accrued interest	93
Change in short-term financing	(21,222)
Changes in consolidation scope	
Translation adjustment	73
Fair value adjustment of liabilities hedged using interest rate instruments	1,811
Transfers	(10,193)
Total non-cash changes	**(21,018)**
Total	**428,209**

Breakdown of interest-bearing financial liabilities by maturity

(€k)	31.03.2020	31.03.2021
< 1 year (1) (2)	121,127	161,638

> 1 year and < 5 years	268,357	224,728
5 years and more	16,693	41,843
Total	**406,177**	**428,209**

(1) Of which short-term bank overdrafts and factoring €40,133k €18,930k

(2) The principal amount outstanding on the syndicated and EBRD loans is classified as current liabilities because the waivers enabling these loans to be reclassified as non-current liabilities were not obtained until after year-end. Impact: €88,633k

Breakdown of liabilities by currency

(€k)	**31.03.2020**	**31.03.2021**
EUR	406,177	428,209
USD		
Total	**406,177**	**428,209**

Breakdown of interest-bearing financial liabilities by type of interest

(€k)	**31.03.2020**	**%**	**31.03.2021**	**%**
Fixed rate	232,171	57%	306,736	72%
Variable rate	174,006	43%	121,473	28%
Total	**406,177**	**100%**	**428,209**	**100%**

Covenants

All covenants on bank loans and overdrafts must be audited at the end of each half-year period. Covenants apply to 22.5% of borrowings, i.e. €96.2 million.

Covenants at 31 March 2021 are described in the table below:

(€k)	Type of credit	Fixed rate	Variable rate	Initial amount	Remaining capital due at 31/03/2021	Maturity	Covenant
	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
The covenant was breached at 31st March 2021, but FIGEAC AÉRO's lenders agreed before year-end to waive the rights they would have acquired as a result of the breach of the loan terms.
With respect to the covenant tests to be carried out at 31st September 2021 and 31st March 2022, FIGEAC AÉRO obtained the corresponding waivers after year-end and before the financial statements were approved by the Board of Directors.

(2) EBITDA > -€8m, compliant with the covenant

Ratios are calculated based on amendments in force at 31st March 2021.

Note 19 Contract liabilities

Contract liabilities break down as follows:

(€k)	31.03.2020	31.03.2021
Advances and down-payments received	16,846	15,355
Deferred income		
Other contract liabilities		
Total	**16,846**	**15,355**

Note 20 Trade and other payables

Trade and other payables break down as follows:

(€k)	31.03.2020	Changes over the period	Changes in consolidation scope	Translation adjustment	Transfers	31.03.2021
Trade payables	89,487	(46,301)		85		43,271
Payables on fixed assets and related accounts	3,277	(1,727)		(9)		1,541
Total trade and other payables	**92,764**	**(48,028)**	**-**	**76**	**-**	**44,812**
Tax liabilities	7,816	1,360		(68)		9,108
Other current liabilities:						
Advances and down-payments received on orders	588	14,413				15,001
Social security liabilities	23,478	8,340		(9)		31,809
Other liabilities	4,183	(65)		(5)		4,113
Deferred income	7,536	(2,413)		225		5,348
Total other current liabilities	**35,785**	**20,275**	**-**	**211**	**-**	**56,271**
Total	**136,365**	**(26,393)**	**-**	**219**	**-**	**110,191**

Note 21 Overview of financial liabilities

The table below presents the net carrying amount of the Group's financial liabilities at 31st March 2021 and 31st March 2020:

At 31.03.2021	Balance sheet value			
(€k)	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
Non-current interest-bearing financial liabilities	266,571			266,571
Current interest-bearing financial liabilities	161,638			161,638
Non-current derivative liabilities		3,139		3,139
Current derivative liabilities				
Other liabilities				-
Trade and other payables	101,083			101,083
Total financial liabilities	**529,292**	**3,139**	**-**	**532,431**

At 31.03.2020	Balance sheet value			
	Amortised cost	Fair value through profit or loss	Fair value through other items of comprehensive income	**Total**
(€k)				
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				-
Trade and other payables	128,549			128,549
Total financial liabilities	**534,825**	**17,359**	**-**	**552,184**

In 2021, as in 2020, 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 13 "Overview of financial assets" to determine the levels at which financial liabilities recognised at their fair value should be classified.

At 31st March 2021, the Group had the following financial liabilities recognised at their fair value:

At 31.03.2021 *(€k)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative liabilities		63		63
Current derivative liabilities				
Total	**-**	**63**	**-**	**63**

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

At 31.03.2020 *(€k)*	Level 1	Level 2	Level 3	**Total**
Non-current derivative liabilities		17,458		17,458
Current derivative liabilities				
Total	**-**	**17,458**	**-**	**17,458**

Note 22 Revenue

Breakdown of revenue by business segment

(€k)	**31.03.2020**	**31.03.2021**
Manufacturing of structural parts for the aerospace industry	392,643	167,719
General engineering and heavy sheet metal manufacturing	14,877	11,765
On-site assembly	8,838	3,553
Machining and surface treatment	30,356	21,612
Total	**446,714**	**204,649**

Breakdown of revenue by region

(€k)	**31.03.2020**	**31.03.2021**
France	358,764	153,160
Export	87,950	51,489
Total	**446,714**	**204,649**

Note 23 Breakdown of other components of operating income

Other income

(€k)	31.03.2020	31.03.2021
Research tax credit	2,297	1,620
Operating subsidies	270	79
Other operating income	34	424
Total	**2,601**	**2,123**

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

(€k)	31.03.2020	31.03.2021
Supplies, raw materials and other	(154,972)	(74,400)
Merchandise	(7)	-
Change in inventory	8,128	28,878
Contract assets	2,147	1,463
Sub-contracting	(83,344)	(32,696)
Purchases not held in inventory	(10,043)	(9,585)
External services	(36,269)	(21,936)
Total	**(274,360)**	**(108,276)**

Personnel expenses

(€k)	31.03.2020	31.03.2021
Wages and salaries	(71,293)	(58,373)
Payroll taxes	(26,108)	(18,225)
Temping staff expenses	(7,008)	(550)
Other payroll expenses	(2,837)	(1,799)
Operating expenses transferred (presented as a reduction in personnel expenses) (1)	2,995	9,867
Total	**(104,251)**	**(69,080)**

(1) Furlough compensation

Net depreciation, amortisation and provisions

(€k)	31.03.2020	31.03.2021
Net depreciation and amortisation charges		
- on intangible fixed assets	(15,007)	(11,861)
- on property, plant and equipment	(18,936)	(23,434)
- on finance leases	(11,878)	(12,567)
- on right-of-use assets	(2,203)	(2,447)
Share of subsidy transferred to the income statement	1,245	1,155
Total net depreciation and amortisation charges	**(46,779)**	**(49,154)**
Total net provisions	**(2,174)**	**2,305**
Net depreciation, amortisation and provisions	**(48,954)**	**(46,849)**

Other non-recurring operating income & expenses

(€k)	31.03.2020	31.03.2021
Reversals of non-current provisions	1,194	5,079
Other non-recurring income	560	2,923
Capital gains and losses from asset disposals	(415)	(2,462)
Allocations to non-current provisions	(41,523)	(15,650)
Other non-recurring expenses	(3,051)	(8,011)
Total	**(43,235)**	**(18,121)**

Other non-recurring expenses at 31st March 2021 consisted mainly of restructuring costs (€4.4 million), order cancellation penalties (€1.2 million) and the remaining assets of programmes discontinued by customers (€1.8 million).

Other non-recurring income consisted of waived claims (€2.3 million) and contract compensation payments (€0.6 million).

Note 24 Cost of net financial debt

(€k)	31.03.2020	31.03.2021
Financial income	**223**	**1,978**
Financial expenses - borrowings	(5,341)	(4,597)
Financial expenses - factoring	(3,206)	(2,034)
Interest expense on lease liabilities	(996)	(667)
Other financial expenses	(282)	(137)
Financial expenses	**(9,825)**	**(7,435)**
Cost of net debt	**(9,602)**	**(5,457)**

The average debt rate worked out at 1.80% versus 2.48% the previous financial year.

Note 25 Tax

Reconciliation between theoretical tax and effective tax

(€k)	31.03.2020	31.03.2021
Net income (loss) for the period	(55,508)	(57,174)
Current tax income (expense)	(60)	(495)
Provisions for tax	(108)	-
Deferred tax income (expense)	(1,787)	2,594
Total tax income (expense)	**(1,955)**	**2,099**
Profit before tax	**(53,553)**	**(59,273)**
Legal tax rate of the parent company		28%
Theoretical tax		(16,596)
Impact of permanent differences		
Impact of tax loss carryforwards		(19,741)
Impact of changes in tax rates		
Impact of overseas tax rates		
Impact of tax credits		1,091
Other impacts		(45)
Total tax income (expense)		**2,099**
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:

(€k)		31.03.2020	31.03.2021
Deferred tax assets		14,792	20,372
Deferred tax liabilities		(15,789)	(22,083)
Deferred taxes at start of period		**(997)**	**(1,711)**
Deferred taxes recognised in the income statement		(1,787)	2,594
Deferred taxes recognised directly in shareholders' equity		1,080	(1,324)
Transfers		-	
First-time application of IFRS 16 at 01.04.2020		32	
Translation adjustment		(7)	19
Changes in consolidation scope		-	
Deferred taxes at end of period	-	**(1,711)**	**(422)**
of which deferred tax assets		20,372	7,013
of which deferred tax liabilities		(22,083)	(7,435)

The main types of deferred taxes were as follows:

(€k)	31.03.2020	31.03.2021
Property, plant and equipment and intangible fixed assets	(5,054)	(4,495)
Financial instruments	3,299	(1,065)
Employee benefits	576	815
Regulated provisions	183	235
Capitalisation of tax losses	2,113	7,154
Other	(2,828)	(3,066)
Net deferred tax assets / (deferred tax liabilities)	**(1,711)**	**(422)**

Tax loss carryforwards

Deferred tax assets not recognised as tax loss carryforwards amounted to €9.1 million in 2021.

Note 26 Earnings per share

(in €)	**31.03.2020**	**31.03.2021**
Average number of outstanding shares	31,839,473	31,839,473
Treasury shares	443,845	425,282
Weighted average number of shares	**31,395,628**	**31,414,191**

Stock option plan	-	-

Earnings (group share) in euros	**(55,464,886)**	**(57,144,771)**
Earnings per share	(1.74)	(1.79)
Diluted earnings per share	(1.77)	(1.82)

	31.03.2020	**31.03.2021**
Liquidity agreement	110,422	91,859
Share buyback plan	333,423	333,423
Total	**443,845**	**425,282**

Note 27 Risk management

The Company operates in a changing environment which poses risks, some of which are beyond its control. Investors are invited to consider all the information in this report, including the risk factors specific to the Group as described herein. The Company reviewed the major risks specific to the Group that could have a material adverse impact on its business, financial position, results and outlook.

However, investors' attention is drawn to the fact that the list of risks and uncertainties provided below is not an exhaustive one. Other risks and uncertainties of which the Company is unaware or the occurrence of which is not considered to date as potentially having a materially adverse effect on the Group, its business, financial position, results or outlook, may exist or may become major risk factors that could have a materially adverse effect on the Group, its business, financial position, results, development or outlook.

Risk factor analysis methodology:

In accordance with the provisions set out in Article 16 of Regulation (EU) n°2017/1129 of the European Parliament and of the Council, this section presents the main risks specific to the Group that could, to date, affect its business, financial position, reputation, results or outlook, as identified when the Group established its major risk map which assesses the net criticality of these risks, i.e. their magnitude and probability of occurrence, after factoring in the action plans implemented. The Company has summarised its risk into the three categories shown below (in no specific order of importance). In each of these risk categories, the risk factors considered by the Company to be the most material to date are listed first. New events occurring either internally or externally to the Company could therefore change this order of materiality at any time in the future.

The Company provides the following information for each of the risks presented below:

- a presentation of gross risk as it arises during the course of the Company's business;
- a presentation of the measures introduced by the Company to manage said risk.

Application of these measures to gross risk enables the Company to measure its net risk. The Company assessed the degree of criticality of its net risk based on a combined analysis of two criteria: (i) the probability of the risk materialising and (ii) the estimated magnitude of its negative impact.

The criticality of each risk is presented below according to the following qualitative scale:

- Low;
- Moderate;
- High.

Summary table:

Type of risk	Reference	Probability of occurrence	Risk magnitude	Criticality of net risk
Risks relating to the Company's activity and organisation				
- Risks relating to the duration of the Covid-19 crisis	27.1.1	High	High	High
- Risk relating to the cyclic nature of the aerospace industry	27.1.2	High	High	High
- Programme / production rate risks	27.1.3	High	High	High
- Customer dependence risks	27.1.4	High	High	High
- Risks relating to the competitive nature of the market	27.1.5	High	High	High
- Risks relating to the quality control of goods	27.1.6	Low	High	Moderate
- Supplier dependence and default risk	27.1.7	Moderate	Moderate	Moderate
- Environmental risk	27.1.8	Low	High	Moderate
- Risk relating to safety in the workplace	27.1.9	Low	High	Moderate
- Country risk	27/01/2010	Low	Low	Low
Financial risks				

- Liquidity risk	27.2.1	High	High	High
- Foreign exchange risk	27.2.2	High	High	High
- Interest rate risk	27.2.3	High	Moderate	Moderate
- Credit and counterparty risk	27.2.4	Low	High	Moderate
- Research & Development and Research Tax Credit risk	27.2.5	Moderate	Moderate	Moderate
Legal or regulatory risks				
- Risks relating to intellectual property	27.3.1	Moderate	High	Moderate
- Risks relating to data protection	27.3.2	Moderate	High	Moderate
- Risks relating to litigation - legal proceedings	27.3.3	Moderate	High	Moderate

27.1 Risks relating to the Company's activity and organisation

27.1.1 Risks relating to the duration of the Covid-19 crisis

The effects of the Covid-19 crisis on the Group's business and financial position are presented in the chapter on "Impact of the Covid-19 crisis".

There are signs of a recovery in the medium term:

- the Boeing B737 Max has resumed service,
- vaccinations are being administered on a massive scale worldwide,
- air traffic is recovering in China and the USA,
- Airbus has announced higher production rates on the A320.

However, the Group believes that the criticality of this duration risk is high for the following reasons:

- the Group can provide no guarantee that the Covid-19 crisis will be brought under control permanently in the near future (or that the preventive measures will not impact on activity upstream or downstream);
- the Group can provide no guarantee that its efforts to cut its fixed costs will be sufficient and/or rapid enough to mitigate the impact of the Covid-19 crisis on its revenue and profitability.

27.1.2 Risk relating to the cyclical nature of the aerospace industry

The pace of orders follows cyclical trends linked to passenger demand for air transportation, seat occupancy rates, airline airfare policies and fuel costs. It also depends on the ageing and renewal of aircraft fleets, equipment procurement decisions, the financial health of airlines and, more generally, the development of international trade.

A cycle is made up of a period of rapidly rising delivery rates followed by a period of stability or even decline. The Group's activity is directly tied to the delivery rates of aircraft manufacturers, and any changes may have an impact on its level of business activity and affect its financial position.

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

Deliveries of commercial aircraft fell steeply in 2020 due to the effects of the Covid-19 crisis. The FIGEAC AÉRO Group faces a significant contraction of between -40% and -60% in its addressable market depending on the aircraft programmes it is involved in.
The impact of the Covid-19 pandemic on the aerospace market cycle depends on its effects on the financial health of airlines and the time it takes them to restore their finances.
In the medium to long term, however, deliveries of commercial aircraft are expected to begin rising again thanks to demand for new aircraft, which in turn will be driven by a recovery in global passenger traffic and by the replacement of some of the global aircraft fleet as it ages.

Thanks to its production capacity and industrial know-how, the technical expertise of its staff, and its compliance with stringent production quality standards, the Group enjoys a certain degree of security in terms of its revenue, around 75% of which comes from long-term contracts. The Group generally obtains certification to supply any given part or sub-assembly over the entire duration of a programme (i.e. thirty to forty years), as long as the quality of the parts it supplies remains compliant with the technical specifications. Contracts do not, however, guarantee the volume of parts to be manufactured as this depends on aircraft production rates.

The Group believes that the criticality of this net risk is high because of the uncertainty surrounding cycles - their frequency, duration, troughs and repercussions for the Group's activity.

27.1.3 Risk of programmes and production being delayed/discontinued / Production rate risk

Aircraft manufacturers may encounter difficulties in complying with the development schedule for their new programmes. Delays in production planning for new aircraft may mean that the Group has to hold research and development inventory for a longer period of time and postpone delivery, thus affecting the pace of revenue generation.

Moreover, the sales and profitability assumptions made by the Group may in fact not materialise. Aircraft production rates can vary upwards or downwards, be affected by incidents that may temporarily halt production on a programme (cf. Boeing 737 Max) or prompt an aircraft manufacturer to discontinue production of an aircraft early (cf. the Airbus A380 or the LEARJET business jet programme led by Canada's Bombardier). Just as the Covid-19 crisis caused a public health and economic crisis, it can also have a significant impact on production rates at aircraft manufacturers.

Resulting programme delays and/or postponements would therefore have a major impact on the Group's ability to generate the margin levels initially expected when drawing up its construction contracts, on the valuations of some of its assets, and on its projected cash flow generation.

In this regard, the Group's experience and expertise give it a practical advantage in anticipating programme delays/postponements:

- by diversifying its programmes, types of production and market segments: long-haul aircraft (Airbus 350, Airbus 330, Boeing 787, Boeing 777X), single-aisle aircraft for domestic and continental deliveries (Airbus 320 NEO, Airbus 220, Boeing 737 Max), regional aircraft (Embraer E2-Jets, Bombardier), business jets (Dassault, Gulfstream and Bombardier programmes), military aircraft (Rafale and Airbus A400M programmes);
- by diversifying its customer portfolio (cf. §27.1.4);
- by making its cost base more variable;
- by arranging repayable advances, with repayments made depending on deliveries made;
- the Group may also, from time to time, be called on to open negotiations with its customers that enable it to mitigate this risk. These negotiations help to support and secure financing for the programmes concerned.

The Company believes that the criticality of this net risk is high.

27.1.4 Risk of dependency on certain customers

The Group's customer portfolio consists mainly of aircraft manufacturers, manufacturers of the systems that equip these aircraft, and aerospace sub-assemblers. The Company's top five customers contributed 77.1%, 73.9% and 70% of its revenue base in the financial years ended 31st March 2019, 2020 and 2021, respectively. Airbus Aviation and Stélia Aerospace (Airbus Group) are the Group's top two customers.

In addition, the Group's top five aircraft programmes accounted for 67%, 71% and 59% of its revenue base in the financial years ended 31st March 2019, 2020 and 2021, respectively. The Airbus A350 programme generates the most revenue for the Group.

The Group may fail to retain its main customers or extend its business relations.
The loss of a significant customer, the non-renewal of a contract and the resulting significant drop in revenue could impact the Group's financial position and operating income. The Group's customers may also cancel their orders, change their order quantities or slow their production rates. The Group may therefore face real difficulties in predicting demand for its products with any accuracy and, as a result, it may not be able to use up its inventory or, conversely, deliver to its customers as planned.

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.

In addition, the Group is insured against the risk of customer insolvency under its factoring agreement.

The Group manages this dependence risk thanks to its customer diversification strategy, particularly in North America where it operates production facilities in Wichita (Kansas, USA) and in the city of Hermosillo in Sonora State, Mexico. The American continent represents two-thirds of the Group's addressable market.
The Company believes that the criticality of this net risk is high.

27.1.5 Risk relating to the competitive nature of the aerospace industry

The aerospace industry is highly competitive. Aircraft manufacturers select their suppliers based on certain categories of key industrial or technical skills that are required of them (high-quality systems, efficient logistics and industrial organisation, selection based on price). This categorisation directly heightens competition between suppliers considerably, with many of these suppliers being international players. Such competition could therefore result in lower unit selling prices negotiated by customers when certain contracts come up for renewal. Furthermore, new contracts may be won on less favourable margin terms.

The Group faces up to its competitors by:

- investing in R&D permanently in order to keep its manufacturing processes competitive
- developing best cost facilities
- diversifying its customers and programmes so that it is positioned in all market segments
- developing long-term and strategic business relations with its customers, for instance by establishing risk sharing partnerships with them
- developing an increasingly comprehensive range of services requiring full control over the supply chain
- certifying its processes and its quality assurance, logistics and industrial procedures

The Company believes that the criticality of this net risk is high.

27.1.6 Risks relating to the quality control of goods

Each aircraft manufacturer makes a commitment as regards the airworthiness and safety of each aircraft delivered in the contracts it signs with the airlines and aviation authorities. In the event of a malfunction, FIGEAC AÉRO as a supplier could be held liable for its products and incur additional costs for the Group that might impact on its results and financial position.

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

In order to mitigate these risks, the Group applies very stringent quality standards, procedures (FMECA, APQP) and processes (choice of suppliers, internal quality control procedures), enabling it to ensure that the products delivered are reliable beyond reproach. The quality procedure in place at all the Group's companies is therefore ISO 9001 / EN 9100-certified and certain industrial processes are NADCAP-certified.

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

The Group secures its industrial excellence by monitoring its On Time Delivery (OTD) and On Quality Delivery (OQD) indicators.

The Company believes that the criticality of this net risk is moderate.

27.1.7 Supplier and subcontractor dependence and default risk

The Group purchased goods and services worth €108.2 million in the financial year ended 31st March 2021 (cf Note 23).
The Group tends to work in partnerships with its suppliers and subcontractors, which are selected by FIGEAC AÉRO with care. The Group's efficiency is partly based on its capacity to purchase manufactured goods from its partners in accordance with the agreed timeframe and standard of quality, and at optimal cost.

However, difficulties or defaults among its suppliers or subcontractors (for reasons relating to the quality of the products delivered or delays in delivering the products) could affect the supply chain, incur additional costs or result in delays in the Group's production schedules and affect its financial position.
The Group manages this risk with procedures enabling it to monitor its suppliers:

- each week, the sourcing, SPM (System Production Management), SQA (Supplier Quality Assurance) and Procurement departments analyse supplier performance to establish any measures that need to be taken in the short term;
- a daily SQCDP update (Safety, Quality, Cost, Delivery and People - using a visual management board) on SQA also makes it possible to monitor supplier performance with respect to ppm, cost of non-quality, number of supplier information request forms, DNC (supplier exemptions) and the opening/closing of supplier QRQC (Quick Response Quality Control) procedures;
- action plans are rolled out if any issues are identified;
- quality and logistics audits are performed;
- double sourcing is applied to reduce the most critical production-related risks;
- defaulting suppliers are identified and removed from the supplier list.

The Company believes that the criticality of this net risk is moderate.

27.1.8 Environmental risks

All industrial manufacturing activities involve the risk of fire, explosion and environmental damage.

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

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

This risk management policy includes continuous improvement of fire protection at the group's sites, which are reviewed annually and subject to controls. The Company therefore applies a health and safety policy aimed above all at:

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

A health and safety disaster could have an adverse impact on the Group's financial position, for instance:

- additional expenses that the Group would have to pay to repair damage;
- additional expenses to fulfil obligations towards third parties;
- an impact on the Group's image and reputation.

ICPE-classified facilities (facilities classified for environmental protection) are legally obliged to monitor their emissions.

All the facilities are insured against damage to the Group's property and against operating losses that might result from a disaster for a 24-month period.

The Group is insured against environmental damage risks.

The Company believes that the criticality of this net risk is moderate.

27.1.9 Risks relating to safety in the workplace

In its capacity as an employer, the Group faces risks that could harm the physical integrity or mental well-being of its employees: occupational accidents and occupational illnesses.

If they were to materialise, such risks could have an adverse impact on the Group's financial position, for instance:
- a higher contribution rate for occupational accidents
- disruption to production
- an impact on the Group's image and reputation

To mitigate these risks, FIGEAC AÉRO SA introduced the '5S' method in 2013 to prevent accidents by improving workplace organisation (storing and ordering), access to the workplace and the resolution of difficulties encountered, along with a **Quick Response Quality Control** (QRQC) process to assess each accident and establish corrective and preventive measures in order to improve safety at the Figeac site.

A Groupwide HSE intranet website was also set up in 2018 to share common rules and principles.

The Group provides training in safety procedures for all its new hires. More extensive safety training is provided for employees in high-risk roles.

The Company believes that the criticality of this net risk is moderate.

27.1.10 Country risk

The Group has expanded its activities around the world and operates in various countries, with facilities spread out across very different regions (Europe, North Africa, North America, Central America); this may expose the Group to political and social risks specific to the countries concerned (embargoes, general strikes, decisions taken by local authorities, restrictions on transferring funds, etc.). The Group's overseas infrastructure may also be exposed to other risks such as natural catastrophes, pandemics, wars or terrorist attacks.

Such events may directly impact on the Group's business in the region concerned and, more generally, have an adverse impact on its results and financial position.

However, the Group's production facilities are identical in all its countries, so a decline in activity at one site could be offset by transferring production to another site if necessary.

The Company believes that the criticality of this net risk is low.

27.2 Financial risks

27.2.1 Liquidity risk

Due to the nature of its business, the Group has to finance a significant production cycle, make the necessary investments to conduct and expand its business, and handle any exceptional events.
The production cycle is financed by assigning a portion of trade receivables to a factoring company. At 31st March 2021, the amount of trade receivables under factoring contracts was €17.4 million. The Group is thus exposed to little risk in terms of trade receivables given the quality of its customers and the fact that risk is transferred to the factoring company.

The Group's cash is managed centrally, with the requirements and resources of each entity transferred to and managed by the parent company.

The Group will continue to require significant funding 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 or arranging alternative types of financing such as asset-based lending.
The amount of financing required and the way these requirements are spread out over time depend on factors that are completely beyond the Group's control, such as:

- variations in customer order amounts;
- 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;
- postpone certain debt repayment deadlines.

Debt financing, when possible, may furthermore impose restrictive and onerous conditions.

The Company also obtained temporary waivers from its creditors of the financial ratios applied to the covenants on its debt repayments due on 30th September 2021 and 31st March 2022.
The Company has updated its cash flow projections on a 12-month rolling basis. These projections are based on various assumptions including revenue and expenditure schedule for the initiatives adopted under the Transformation 2021 plans, which are uncertain by nature.
Based on these projections, the Company's available cash at 31st March 2021 would enable it to meet its cash payment obligations for the 12 months ahead.

FIGEAC AÉRO has also closely examined its economic and financial situation in order to assess its financing needs between now and the financial year ending March 2025.
Talks are already well underway with several financial partners to adjust existing financing arrangements and also to set up additional financing, including the following options:

- a capital increase,
- recourse to the various institutional economic stimulus mechanisms introduced both in France and in other countries in which the Group operates,
- backing from the Company's long-standing financial partners,
- the arrangement of other alternative types of funding,
- an adjustment to the terms and conditions applicable to the Group's ORNANEs (bonds redeemable into cash and/or new and/or existing shares) of a nominal amount of €91 million and expiring on 18th October 2022.

By the end of this process, the Company's balance sheet will be healthier and better suited to its strategy, thus enabling it to remain securely on the path towards value-creating growth.

The Group's available cash stood at €80.4 million at 31st March 2021, enabling it to meet its near-term cash payment obligations.

(€k)	**31.03.2020**	**31.03.2021**
Marketable securities	100	100
Sight deposits	106,711	80,370
Total	**106,811**	**80,470**

The Company believes that the criticality of this net risk is high.

27.2.2 Foreign exchange risk

The Group's (operating and financial) income/loss and assets and liabilities in foreign currency 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 commercial 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 relative to the US dollar may therefore affect the Group's capacity to compete with its American peers, as the prices of many products in the commercial 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 61% of the Group's 2020/21 revenue was invoiced in US dollars by its French entities.

At 31st March 2021, the FIGEAC AÉRO Company had billed $144.9 million to its customers and purchased $76.2 million from its suppliers (purchases denominated in US dollars represent 52.6% of sales denominated in US dollars).
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. Its positions at 31st March are shown below:

Foreign exchange derivative instruments

(€k)	**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		-34	192,658	42,098	150,560	
EUR/USD currency options		-137				
Cash flow hedges:						
EUR/USD currency futures	920		32,550	28,650	3,900	
EUR/USD currency options	1,867		41,900	21,900	20,000	
Total currency derivative instruments	2,788	**-171**	**267,108**	**92,648**	**174,460**	-
Instruments that do not qualify for hedge accounting		-171	192,658	42,098	150,560	
Instruments that qualify for hedge accounting	2,788		74,450	50,550	23,900	

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 to its financial instruments due to:

- the types of derivatives used and the accounting principles applied to these derivatives under IFRS: FIGEAC AÉRO uses financial instruments that do not qualify for hedge accounting;
- hedged volumes: the nominal amount of hedging commitments was $267 million for the Group's sell positions at 31st March 2021;
- the average maturity of the hedging instruments (2 to 4 years); and
- potential euro / dollar exchange rate volatility.

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.

The Company believes that the criticality of this net risk is high.

27.2.3 Interest rate risk

The breakdown of the Group's debt between fixed rate and variable rate is as presented below:

Breakdown of interest-bearing financial liabilities by type of interest

(€k)	**31.03.2020**	**%**	**31.03.2021**	**%**
Fixed rate	232,171	57%	306,736	72%
Variable rate	174,006	43%	121,473	28%
Total	**406,177**	**100%**	**428,209**	**100%**

Some 24% of the Group's financial liabilities carry interest at variable rates calculated based on the 3-month Euribor rate.
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. Some of these positions (corresponding to €39.1 million) are hedged against a significant rise in this index:

Interest rate derivative instruments

(€k)	Balance sheet value		Maturity			
	Assets	Liabilities	Notional amount	< 1 year	1 year to 5 years	> 5 years
EUR cap		(55)	22,084	21,900	22,084	
EUR collar		138	17,052		17,052	
Total interest rate derivative instruments	-	**(193)**	**39,135**	**21,900**	**39,135**	

The Company believes that the criticality of this net risk is moderate.

27.2.4 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 to little 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 generally 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.

The payment schedule for trade receivables and related accounts at 31st March 2021 is as follows:

(€k)	**Carrying amount at close**	**< 12 months**	**> 12 months**
At 31.03.2020			
Trade receivables and related accounts	50,937	50,937	
At 31.03.2021			
Trade receivables and related accounts	36,327	36,327	

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

The Company believes that the criticality of this net risk is moderate.

27.2.5 Research & Development and Research Tax Credit risk

The Group's Research & Development activities are crucial to its performance. The Group's R&D investment policy focuses on new machining systems (aerostructures, engines and sheet metal).

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. The Group must also work closely with its export clients and find new markets overseas.

Returns on these investments materialise on a medium-term horizon. The Group's competitiveness may be affected by:

- the development by its competitors of manufacturing processes that are more efficient than the Group's;
- the emergence of disruptive technologies affecting the Group's know-how;
- investments in projects that fail to generate adequate returns;
- unfavourable trends in aircraft production rates.

R&D expenses (net of amortisation charges and impairment losses) recognised in the balance sheet at 31st March 2021 amounted to €59.8 million versus €65.9 million at 31st March 2020

The Group manages the associated risks by:

- conducting economic return analyses before committing to R&D efforts;
- obtaining public funds: CORAC research council, RFPs, regional aid, etc.;
- making use of the Research Tax Credit scheme.

The Company has obtained research tax credits since 2002 as it invests significant amounts in research and development (€0.7 million of research tax credits in 2020). Research spending eligible for this tax credit includes wages and salaries, depreciation of research equipment, services outsourced to certified research bodies (public or private) and intellectual property expenses.
The Company complies with the reporting requirements and expenditure eligibility requirements imposed by the research tax credit scheme. However, it cannot rule out the possibility that the tax authorities might question the methods the Company uses to calculate its research and development expenses or that the research tax credits obtained might be affected by new regulations or be challenged by the tax authorities even if the Company complies with the reporting and expenditure eligibility requirements. Should this occur, it could have an adverse impact on the Company's results, financial position and outlook.

The Company believes that the criticality of this net risk is moderate.

27.3 Legal or regulatory risks

27.3.1 Risks relating to intellectual property

Due to its competitive market, the Group's commercial success depends partly on its capacity to maintain and protect its patents and other intellectual property rights such as trade secrets and know-how.
Since it was founded, the Group has been sure to invest heavily in research and development in order to develop, manage and innovate in the field of machining processes. Moreover, starting several years ago, the Group has taken an active approach to managing its industrial property by applying for patents for certain manufacturing processes.
However, despite the precautions taken, the Group might not be able to maintain adequate protection of its patents and may therefore lose its technological and competitive advantage. The Group is unable to guarantee the outcome of its patent applications, which are subject to prior examination by the relevant intellectual property offices before any patent is issued. In addition, even if issued, patents can always be anticipated either by prior patent applications that had not yet been published or by prior invention disclosures.

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

position, and force it to enter into licensing contracts on unfavourable terms or to cease production of the product that is the subject of the legal action.

The Company believes that the criticality of this net risk is moderate.

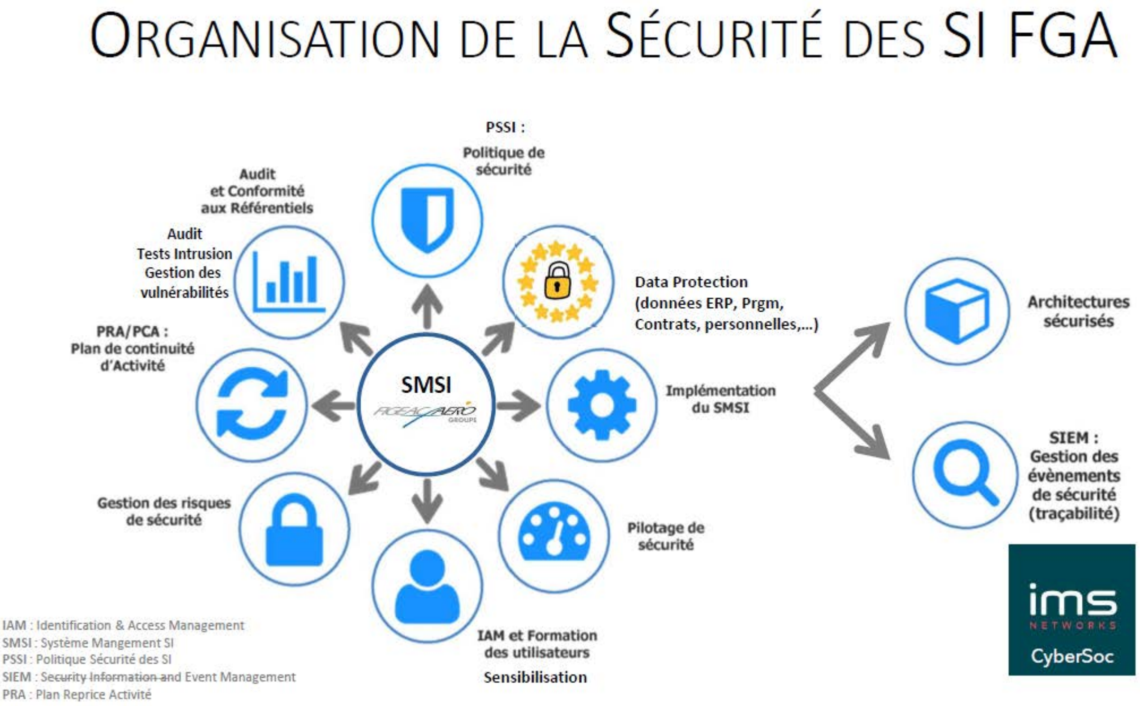
27.3.2 Risks relating to data protection

The Group's information system (IS) is essential in ensuring that its activities are able to run smoothly in almost all its business lines. A malfunctioning information system could irreversibly undermine the Group's ability to meet its strategic targets or fulfil its obligations and commitments. The stakes are increasingly high for the following reasons:

- customer requirements;
- regulations;
- a surge in viruses, ransomware, phishing and other types of spam;
- an increase in organised cybercrime;
- greater scope for attack (e.g. smartphones, the cloud);
- a complex and disparate information system;
- awareness of data security issues, etc.

The most appropriate response to these security priorities is the Information Systems Security Policy applied within the FIGEAC AÉRO Group. The objectives of the Information Systems Security Policy are to:

- establish principles and rules to ensure that security criteria are adhered to under a well-known international standard: ISO 27002;
- comply with the Group's legal regulatory and contractual obligations by adhering to current best practice in ISS (Information Systems Security);
- gain a competitive advantage by establishing a bond of trust with our partners;
- prevent and mitigate the impacts of any security incidents;
- identify, assess and manage risks with appropriate solutions;
- monitor implementation of risk mitigation measures by carrying out regular audits;
- ensure the consistency and long-term viability of the ISS procedures in place across FIGEAC AÉRO Group and its subsidiaries;
- promote accountability by increasing awareness among the staff.



The Company believes that the criticality of this net risk is moderate.

27.3.3 Litigation - legal proceedings

At the date the financial statements were approved, the Group was involved in various legal proceedings (labour litigation) including €1.35 million of provisions for liabilities and charges (cf. Note 16). Due to its business activity and the size of its workforce, labour disputes are part of the Group's everyday life. However, the Company feels that the provisions set aside for the legal proceedings of which it was aware at the date of the present report are sufficient for the Group's consolidated financial position not to be significantly affected in the event of an unfavourable outcome.

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

Nonetheless, the Group has launched two PSEs (Employment Protection Plans): FIGEAC AÉRO Picardie (21 redundancies) and FIGEAC AÉRO (220 redundancies), which have been provisioned in the amount of €7.47 million at 31st March 2021. Union organisations often file legal proceedings against PSEs. A Company union appealed against the decision by the DIRECCTE regional directorate to authorise the PSE at FIGEAC AÉRO. The Administrative Court of Toulouse rejected this appeal.

The Company believes that the criticality of this net risk is moderate.

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 2021 financial year.

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

Related party transactions

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 2021 figures are as follows:

(€k)	Income	Expenses	Receivables	Payables
MP USICAP	140	1,269	147	367
Avantis Engineering	-	-		99
Total	**140**	**1,269**	**147**	**466**

Executive pay

These relate to compensation paid to corporate officers of FIGEAC AÉRO S.A.:

(€k)			**31.03.2020**	**31.03.2021**
Fixed compensation			186	233
Variable compensation				
Benefits in kind			2	2
Directors' fees			30	
Total	**-**	**-**	**218**	**285**

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)			31.03.2020	31.03.2021
Headcount - France			1,897	1,647
Headcount - outside France			1,451	899
Total	-	-	**3,348**	**2,546**

A breakdown of the workforce by business segment at 31st March 2021 is as follows:

(In number of employees)		Managers	Non-managers	**Total**
Aerostructures		262	1,826	2,088
On-site assembly		6	90	96
Machining and surface treatment		41	190	231
General engineering and sheet metal manufacturing		14	117	131
Total	-	**323**	**2,223**	**2,546**

Note 30 Off-balance sheet commitments and contingent liabilities

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

	31.03.2021				**31.03.2020**
(€k)	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	Total
Pledges, mortgages and collateral securities	4,770	96,821	11,621	113,212	54,121
Total	**4,770**	**96,821**	**11,621**	**113,212**	54,121

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

	31.03.2021				**31.03.2020**
(€k)	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	Total
Pledges, mortgages and collateral securities	2,023	7,128	10,097	19,248	20,551
Total	**2,023**	**7,128**	**10,097**	**19,248**	20,551

Note 31 Events after the closing date

- After the closing date, FIGEAC AÉRO obtained covenant waivers from the banks having granted the syndicated loan and from the EBRD eliminating the consequences of non-compliance with the contractual ratios applied to debt due at the interim close of 30th September 2021 and at the full-year close on 31st March 2022.
- The Group's different entities signed a moratorium agreement on their URSSAF (social security) contribution payments: this agreement will run for 36 months starting from September 2021.
- New ERP modules came on stream in June 2021.
- The last machine was transferred from FGA Maroc to the premises of Casa Aero.
- SFAM LLC was created, based in Jeddah. This new entity will thus enable FIGEAC AÉRO to finalise the joint venture agreement with its two Saudi partners once the ongoing legal proceedings are over. FIGEAC AÉRO will then become a minority shareholder in this joint venture.
  This project is consistent with Saudi Arabia's economic diversification strategy "Vision 2030". It is centred around a production plant built to make light alloy and hard metal parts for the commercial and military aircraft manufactured by the world's main contractors (Airbus, Boeing, Lockheed Martin, Safran, etc.). This

plant will also constitute an essential market opening for OEMs setting up localisation contracts in the Kingdom, and FIGEAC AÉRO is thus shoring up its position in the Middle East. FIGEAC AÉRO's contribution to the project is part of a service contract with SFAM under which it will coordinate and supervise the company's industrial start-up and the initial production phase for the first aerospace parts which are scheduled to begin being delivered mid-2022. Other than the initial equity financing totalling around USD3 million, most of the investment required will be provided by local institutions and state bodies in the form of subsidies.

- FGA Tunisie arranged medium-term financing in the amount of €10 million for a duration of 7 years, with a 2-year grace period on capital repayments.
- Casa Aero arranged financing in the amount of €1.7 million for a duration of 7 years, with a 2-year grace period on capital repayments.

Note 32 Fees paid to statutory auditors

	KPMG				Mazars			
	Amount		%		Amount		%	
(€k)	**31.03.2021**	**31.03.2020**	**31.03.2021**	**31.03.2020**	**31.03.2021**	**31.03.2020**	**31.03.2021**	**31.03.2020**
A - Fees relating to the certification of accounts								
A.1 - Figeac Aéro (issuer)	157	165	51%	69%	166	175	98%	88%
A.2 - Subsidiaries	33	33	11%	14%	3	3	2%	2%
Sub-total	**190**	**198**	**61%**	**83%**	**169**	**178**	**100%**	**89%**
B - Fees relating to other services								
B.1 - Figeac Aéro (issuer)	120	42	39%	18%		22	0%	11%
B.2 - Subsidiaries								
Sub-total					**-**	**22**	**0%**	
Total	**310**	**240**	**100%**	**100%**	**169**	**200**	**100%**	**100%**