KPMG S.A.
224 rue Carmin
CS 17610
31676 Labège Cedex
France

Mazars
Green Park III
298, allée du Lac
31670 Labège
France

Figeac Aéro S.A.

Statutory auditors' report on the consolidated financial statements

Financial year ended March 31, 2022
Figeac Aéro S.A.
Zone Industrielle de l'Aiguille - 46100 Figeac

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Figeac Aéro S.A.

Registered office: Zone Industrielle de l'Aiguille - 46100 Figeac
Capital: €4,967,165.28

Statutory auditors' report on the consolidated financial statements

Financial year ended March 31, 2022

For the attention of the General Meeting of Figeac Aéro S.A.,

Opinion

In performance of the engagement entrusted to us by your General Meeting, we have conducted our audit of the consolidated financial statements of Figeac Aéro S.A. for the financial year ended March 31, 2022, as appended to this report.

We certify that the consolidated financial statements give a true and fair view of the results of operations for the year ended, as well as the financial position and assets and liabilities at the end of said year, of the consolidated group of persons and entities in accordance with IFRS guidelines as adopted by the European Union.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis of opinion

Auditing standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the evidence collected in our audit provides a reasonable basis for our opinion.

Our responsibilities pursuant to these standards are described in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements".

Independence

We conducted our audit in accordance with the rules of independence set out in the French Commercial Code and in the Code of Ethics for Statutory Auditors for the period from April 1, 2021 to the date of issue of our report. In particular, we did not provide any services prohibited by Article 5(1) of Regulation (EU) consolidated financial statements 537/2014.

Observation

Without calling into question the opinion expressed above, we draw your attention to the following point set out in Note 1 paragraph U "Pension liabilities and other employee benefits" and Note 17 "Employee benefits" to the consolidated financial statements concerning the IFRIC interpretation of IAS 19 on the measurement of post-employment benefits, which came into force in April 2021.

Justification of assessments - Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency have had numerous consequences for companies, particularly for their operations and financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and the performance of audits.
It is in this complex and evolving context that, in accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of audit assessments, we draw your attention to the key audit matters in relation to risks of material misstatement which, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the financial year, as well as our responses to those risks.

These assessments formed part of our audit of the consolidated financial statements, taken as a whole, and contributed to the formation of our opinion as expressed above. We do not express an opinion on items of these consolidated financial statements taken individually.

Going concern principle used in the preparation of the consolidated financial statements

Risk identified

The Covid-19 pandemic had a major impact on the aerospace industry during financial year 2020/21. The collapse of global air traffic caused by the health crisis prompted sector contractors to slash their delivery schedules, particularly for long-haul aerospace programs.

As a result of the sharp reduction in business in financial year 2020/21 and despite the recovery during the financial year ended, the Group incurred significant operating losses, which led Management to update cash flow forecasts in order to assess the Group's ability to meet its cash requirements over a rolling 12-month period. These forecasts, which are aligned with the Group's business forecasts for the coming year, are by their nature uncertain, as described in Note 27.1 "Liquidity risk" to the consolidated financial statements.

These forecasts, together with the redemption of the ORNANE bonds initially scheduled for October 2022, have led Management to take steps to restructure the Group's financial liabilities and strengthen its equity, as described in Note 31 "Post balance sheet events" to the consolidated financial statements.

In this regard, the assessment of the going concern principle by the Board of Directors entails a significant degree of judgment in view of the uncertainty surrounding the business outlook.

In view of the foregoing, we consider the use of the going concern assumption to be a key audit matter.

Our response

We obtained and assessed the appropriateness of the Board's assessment of the Group's ability to continue as a going concern over a period of 12 months from the end of the financial year and the assumptions and documentation on which this assessment is based. Our work involved:

- obtaining and reviewing the Group's cash flow forecast up to September 2023;
- assessing the consistency of the business assumptions underlying the cash flow forecasts with the latest version of the budget reviewed by the Board of Directors and corroborating,

as a whole, the reasonableness of these assumptions with regard to internal Group factors and the situation of the aerospace industry;

- assessing the consistency of assumptions regarding additional financing, the rescheduling of existing liabilities (in particular the modification of the ORNANE bond terms) and the strengthening of the capital base with the corresponding legal documentation;
- comparing the previous year's cash flow forecast with the actual data as of March 31, 2022 in order to assess the achievement of past targets;
- analyzing bank waivers regarding the triggering of early repayment clauses for loans subject to this mechanism;
- questioning Management regarding its knowledge of events or circumstances arising after the balance sheet date that might call these forecasts into question;
- assessing the appropriateness of the information provided in the note "Post balance sheet events" to the consolidated financial statements.

Revenue recognition in accordance with IFRS 15

Risk identified

Group revenue is generated through various types of contracts for the construction and delivery of aircraft sub-assemblies, which in some cases include development activities and have a duration of several financial years, or through service contracts.

In accordance with IFRS 15, the Group analyzes each new contract in its portfolio in order to determine the revenue recognition method to be adopted, as stated in Note 1 paragraph H to the consolidated financial statements.

Revenue recognition in accordance with IFRS 15 is a key audit matter insofar as the analysis of the different types of contracts that generate Group revenue entails a significant degree of judgment when:

- identifying the contract under IFRS 15, which defines the rights and obligations of the parties;
- identifying separate performance obligations, particularly for the part of the contracts relating to specific development activities;
- determining the timing of revenue recognition (progressively or at a specific moment);
- determining the accounting method for the contract performance costs, including amortization periods for capitalized expenses.

Our response

Our work involved:

- assessing the compliance of the accounting policies presented in Note 1 paragraph H to the consolidated financial statements with IFRS 15;
- reviewing the procedures and controls implemented by the Group in relation to the management and monitoring of contracts, the determination of contract revenue and costs, and testing the operational effectiveness of these controls, particularly in the context of the Covid-19 crisis;
- for a selection of individual transactions, testing the correct recognition of revenue and contract performance costs in accordance with IFRS 15;

- assessing the appropriateness of the information provided in Note 1 paragraph H to the consolidated financial statements.

Capitalization and amortization of development costs

Risk identified

The development policy of the Figeac Aéro Group is focused on new machining systems. As of March 31, 2022, the net carrying amount of capitalized development costs was €57.3 million, excluding development costs relating to the implementation of the new ERP.

The criteria for capitalizing development costs, as well as the criteria relating to their start date and rate of amortization, are described in Note 1 paragraph I to the consolidated financial statements.

Assessing whether the various criteria for capitalization and amortization have been met entails numerous judgments and estimates, including an assessment of how the intangible asset will generate probable future economic benefits over its useful life.

In view of the materiality of the capitalized, amortized and non-amortized development costs as of March 31, 2022 and the assessment of the various capitalization and amortization criteria, we considered that the capitalization and amortization of development costs was a key audit matter.

Our response

Our work involved:

- reviewing the compliance of the methodology applied by the company with the prevailing accounting standards;
- reviewing the internal control procedures implemented to identify development costs that meet the criteria for capitalization, as well as their start date and rate of amortization;
- testing, on a sample basis, the existence and valuation of expenditure on various intangible assets during their development phase;
- assessing, on a sample basis, whether the various criteria for the capitalization and amortization of development costs are met;
- assessing the quality of the forecasting procedures used to analyze the probable future economic benefits generated by capitalized projects, including critical analyses of the revenue and profitability forecasts for capitalized development costs within the changing context of the Covid-19 crisis;
- assessing, on a sample basis, whether there are any indications of impairment for projects in the process of amortization.

We also assessed the appropriateness of the information provided in the notes to the consolidated financial statements.

EUR/USD currency hedging and derivative financial instruments

Risk identified

The Group generates a significant portion of its revenue and makes a significant portion of its supplier payments in US dollars. In order to hedge its currency risk, it implements a currency hedging policy based on the management of a portfolio of derivative financial instruments (forward sales, accumulators, etc.).

As indicated in Note 1 paragraph S to the consolidated financial statements, the recognition of derivative financial instruments depends on whether they are classified as hedging instruments if they meet the qualification criteria set out in IFRS 9. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity and subsequently in the income statement in the period in which the hedged item is recognized in the income statement, with the ineffective portion and the time value of the (non-qualifying) instruments being recognized immediately in the financial result. Gains or losses resulting from changes in the fair value of financial instruments that are not treated as hedging instruments are recognized in the financial result.

In the consolidated financial statements for the year ended March 31, 2022, foreign exchange derivatives not qualifying as hedging instruments generated a financial expense of €3.1 million with a fair value recorded as a liability of €4.7 million. Foreign exchange derivatives qualifying as hedging instruments generated a pre-tax decrease in equity of €1.5 million, with a fair value of €1.4 million recorded in closing equity. These impacts are presented in Note 14 "Derivative instruments" to the consolidated financial statements.

We considered the recognition of financial instruments to be a key audit matter due to the significance of their qualification as hedging instruments on the Group's profit or loss and the judgment required in determining their fair values.

Our response

We reviewed the foreign exchange strategy adopted by the Figeac Aéro Group and assessed the appropriateness of the information provided in this respect in Note 1 paragraph S to the consolidated financial statements.

We obtained an understanding of the internal control procedures regarding the qualification and valuation of derivative financial instruments.

In order to verify the correct recognition of foreign exchange derivatives, our work involved:

- verifying the reconciliation between Figeac Aéro S.A.'s derivatives portfolio and the declarations of bank counterparties in order to analyze the exhaustiveness and actual nature of the transactions;
- analyzing material differences between derivative valuations carried out by Figeac Aéro S.A. and the valuations provided by bank counterparties;
- carrying out an independent counter-valuation, with the help of our experts, of a representative sample of the derivatives portfolio, in order to corroborate the valuations used by Management in its financial statements;
- analyzing, on a sample basis, the subscription contracts for the main new derivative financial instruments during the year.

Impairment of intangible assets and property, plant and equipment

Risk identified

As stated in Note 1 paragraph L to the consolidated financial statements, in accordance with IAS 36 assets are tested for impairment annually at the balance sheet date or whenever there is an indication that any asset may be impaired.

Assets are allocated to one or more cash-generating units (CGU).

The purpose of the impairment test is to compare the carrying amount of the asset or group of CGUs with its recoverable amount, which is the higher of fair value less costs to sell and value in use as determined on the basis of discounted future cash flows.

As of March 31, 2022, the update of the tests carried out on an individual basis led to a €10.7 million impairment reversal on R&D assets, leaving the stock of impairment provisions at €15.1 million. Global impairment testing (on a CGU basis) led to the recognition of additional impairment of €2.5 million on the FGA North America CGU as of March 31, 2022, leaving an impairment stock of €7.3 million for the FGA North America CGU and €7.7 million for the Figeac Aéro CGU.

The assessment of the recoverable amount of goodwill and fixed assets requires Management to make a number of judgments and estimates, including a reasonable assessment of the operating cash flows used in medium-term budgets and business plans, and the discount and perpetual growth rates used to calculate recoverable amounts.

In view of the changing context of the Covid-19 crisis, the materiality of the assets and the assessment factors inherent in determining the recoverable amount of the Group's CGUs, we considered that the valuation of these assets was a key audit matter.

Our response

Amid the changing context of the Covid-19 crisis, our work involved:

- assessing the reasonableness of the cash flow forecasts for the businesses of the corresponding CGUs drawn up by their operational and financial departments in light of the data and assumptions derived from the business plans and the economic and financial environment in which the Group operates;
- assessing the reliability of the estimation procedure by conducting critical analyses of the discrepancies observed between the operating and investment forecasts of previous years and subsequent performance;
- assessing the appropriateness of the discount and growth rates used;
- reviewing the analyses carried out by Management on the sensitivity of CGU recoverable amounts to changes in the main assumptions used;
- verifying the exhaustiveness of the elements comprising the carrying amount of the CGUs and assessing the consistency of the determination of this amount with the manner in which the cash flow forecasts were established in order to determine value in use.

All of these analyses were carried out with the help of business appraisal experts.

We also assessed the appropriateness of the information provided in the notes to the consolidated financial statements.

Specific verifications

In accordance with professional standards applicable in France, we also carried out the specific verifications required by statutory and regulatory provisions on the information relating to the Group provided in the Board of Directors management report.

We have no matters to report regarding the fair presentation of this information or its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the French Commercial Code is included in the Group management report, it being specified that, in accordance with the provisions of Article L. 823-10 of said Code, the information contained in this statement has not been verified by us with regard to its fair presentation or consistency with the consolidated financial statements and must be the subject of a report by an independent third-party body.

Other verifications or information required by statutory and regulatory provisions

Presentation format of the consolidated financial statements to be included in the annual financial report

In accordance with the professional standard on the due diligence of statutory auditors in relation to parent company and consolidated financial statements presented in accordance with the European single electronic reporting format, we also verified compliance with this format defined by European Delegated Regulation 2019/815 of December 17, 2018 in the presentation of the consolidated financial statements to be included in the annual financial report referred to in Article L. 451-1-2 (I) of the French Monetary and Financial Code, which are prepared under the responsibility of the Chairman and CEO. In the case of consolidated financial statements, our work includes verifying that these statements are marked up in accordance with the format defined by the aforementioned regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to verify that the consolidated financial statements ultimately included by your Company in the annual financial report filed with the AMF correspond to those on which we have performed our work.

Appointment of statutory auditors

KPMG S.A. was appointed statutory auditor of Figeac Aéro S.A. by the General Meeting of December 19, 2013 and Mazars was appointed statutory auditor by the General Meeting of September 29, 2017.

As of March 31, 2022:

- KPMG S.A. was in its ninth consecutive year as statutory auditor, six years after the Company's shares were admitted to trading on a regulated market;
- Mazars was in its fifth consecutive year as statutory auditor.

Responsibilities of Management and persons charged with governance of the Company in relation to the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view of operations in accordance with IFRS as adopted by the European Union as well as for the implementation of the internal controls it deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, for presenting in these financial statements the information required, where applicable, in relation to continuity of operations and for applying the going concern accounting policy, unless there is a plan to liquidate the Company or cease trading.

The Audit Committee is responsible for monitoring the financial reporting preparation process and the efficiency of the internal control and risk management procedures and, where applicable, internal audit, as regards the procedures applied for the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Audit procedure and objective

It is our responsibility to prepare a report on the consolidated financial statements. We aim to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance means a high level of assurance, without guaranteeing however that an audit performed in accordance with professional standards enables every material misstatement to be systematically detected. Misstatements may result from fraud or error and are deemed to be material when it can be reasonably expected that they might, individually or collectively, influence the financial decisions taken by users of the financial statements on the basis of those statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our certification of the financial statements does not provide any guarantee as to the viability or quality of the management of your Company.

Within the framework of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. Furthermore, the statutory auditor:

- identifies and evaluates the risk of the consolidated financial statements containing material misstatements, whether due to fraud or error, develops and implements audit procedures in response to these risks and gathers sufficient and appropriate evidence for its opinion. The risk of failing to detect a material misstatement resulting from fraud is more serious than in the case of a material misstatement due to error, since fraud can involve collusion, falsification, deliberate omissions, false declarations or the bypassing of the internal control system;
- obtains an understanding of the aspects of internal control that are relevant to the audit in order to develop appropriate audit procedures, but not in order to express an opinion as to the effectiveness of the internal control system;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by Management and the related information provided in the consolidated financial statements;

- assesses the appropriateness of Management's use of the going concern accounting principle and, according to the evidence obtained, the existence or otherwise of material uncertainty regarding events or situations liable to cast significant doubt on the Company's ability to continue its operations. This assessment is based on the evidence obtained up to the date of the auditor's report, it being noted nonetheless that subsequent circumstances or events may cast doubt on the Company's ability to continue as a going concern. If the auditor concludes that there is material uncertainty, the auditor draws the attention of readers of the auditor's report to the information contained in the consolidated financial statements concerning this uncertainty or, if such information is not provided or is insufficient, issues a certification with reservations or refuses to certify;
- evaluates the overall presentation of the consolidated financial statements and assesses whether they give a true and fair view of the underlying transactions and events;
- with regard to the financial information concerning persons or entities contained within the scope of consolidation, collects the evidence that the auditor deems sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for managing, overseeing and carrying out the audit of the consolidated financial statements as well as for the opinion expressed on these financial statements.

Report submitted to the Audit Committee

We submit to the Audit Committee a report on the scope of the audit work and the work program implemented, as well as the conclusions arising from our work. We also draw the attention of the Audit Committee, where necessary, to any material deficiencies in internal control we may have identified as regards the procedures applied for the preparation and processing of accounting and financial information.

The report submitted to the Audit Committee includes a description of the risks of material misstatement that we deem to be the most significant for the audit of the consolidated financial statements for the period and which thereby constitute the key audit matters we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) 537-2014 confirming our independence, within the meaning of the applicable regulations in France, as established by Articles L. 822-10 to L. 822-14 of the French Commercial Code and the Code of Ethics for Statutory Auditors. Where applicable, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

The Statutory Auditors

Labège, August 12, 2022

KPMG S.A.	Mazars
Pierre Subreville *Associé*	Hervé Kernéïs *Partner*