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Oggetto : AVIO H1 2022 RESULTS

<i>Testo del comunicato</i>

Vedi allegato.



FIRST HALF 2022 RESULTS

SUCCESSFUL VEGA C QUALIFICATION FLIGHT OPENS UP SUBSTANTIAL NEW BUSINESS OPPORTUNITIES REVENUES UP WHILST PROFITABILITY IS IMPACTED BY RISING ENERGY COSTS

Highlights

- Substantial new commercial opportunities further to the successful Vega C qualification flight
- Ariane 6's launch agreement with Amazon launch agreement secures P120 production volumes through the medium term
- Signed PNRR-related contracts enhance product roadmap visibility
- Completed acquisition of TEMIS provides substantial strengthening to avionics capabilities
- Repeat successful tests of M10 engine testify European leadership in innovative liquid propulsion solutions

Financial results

- Net Order backlog: Euro 848 million (-3% compared to December 2021)
- Revenues: Euro 134 million (+5% compared to H1 2021)
- EBITDA Reported: Euro 3.2 million (Euro -4.9 million compared to H1 2021) – Adjusted: Euro 5.6 million (-46% compared to H1 2021)
- EBIT Reported Euro -6.2 million (Euro -8.6 million compared to H1 2021) – Adjusted -3.7 million (Euro -3.8 million compared to H1 2021)
- Result for the period: Euro -7.6 million (Euro -5.2 million compared to H1 2021)
- Net cash position: Euro 40.9 million

Guidance 2022

- Net Order backlog: Euro 870-920 million – confirmed
- Revenues: Euro 330-350 million – confirmed
- Reported EBITDA: Euro 17-25 million – updated
- Net income: Euro -2/+3 million - updated

Rome, 9th September 2022 – The Board of Directors of Avio S.p.A., leading aerospace company listed on the STAR segment of the Italian Stock Exchange, today reviewed and approved the H1 2022 results.

In the first six months of 2022, Avio carried out the **inaugural mission of the new European light launcher Vega C**, boasting a 50% higher payload capacity than Vega (2.3 tons vs. 1.5 tons in low orbit). The mission was **successfully accomplished** on July 13 at the Centre Spatial Guyanais in French Guiana, with the launch into orbit of the LARES 2 satellite

for the Italian Space Agency plus 4 cubesats. Its performance makes **Vega C the only European low-orbit launcher qualified to perform key institutional missions** such as the European Union's Copernicus constellation. Since the maiden flight there has been a significant increase in customer interest and a boost to commercial pipeline building activities, so that new orders for launches with Vega C are now expected to be signed up in the coming months.

The **next Vega C mission is scheduled for November 2022**, with the mission to take two additional satellites from the Pléiades Neo constellation into orbit for Airbus Defense & Space.

Two successful missions of the Ariane 5 heavy launcher took place in June, and after the end of H1 2022, in early September, with one more mission planned by the end of the year.

The inaugural launch of Ariane 6 is scheduled for 2023.

In April, Arianespace signed **the largest contract in its history with Amazon** to put a significant portion of Amazon's Kuiper communication constellation into orbit with an upgraded version of the Ariane 64 launcher through 18 launches starting from 2024. Avio is involved in the **development and production of the P160 first-stage engine (an upgraded version of the P120)**, which is also designed to yield a further 10 percent performance increase to Vega C and also to future Vega E. With this contract, Avio also expects to **achieve economies of scale** on the P120/P160 production, which will also **benefit the overall Vega program**.

In May, June, and July 2022 Avio successfully conducted the **first series of tests of the new LOX-Methane M10 engine** in its own testing facility in Sardinia. Avio's M10 engine is the very first of its type to be tested in Europe. The first test and the following ones, with a total engine ignition time of more than 800 seconds, allow for a **linear and timely development of the program**, which will culminate with the planned launch of Vega E in 2026, delivering further enhanced performance compared to Vega C and at an even more competitive cost.

In June 2022, Avio announced the signing of an initial tranche of a contract **with the European Space Agency** for a total value at completion of ca. **Euro 340 million in connection with the development of new launch technologies within the scope of the Italian National Recovery and Resilience Plan**. Through such contract Avio will develop a new **high-thrust engine that will exploit the LOX-methane technology of the M10 engine along with other technologies such as non-pyrotechnic separation systems and cryogenic propellant tanks**. These technologies will be tested through two technology demonstrators scheduled for launch in 2024 (suborbital version) and 2026 (orbital version), respectively. Such technologies will increase Avio's launcher capabilities and competitiveness.

Regarding the ongoing conflict in Ukraine, Avio confirms that it has over time built a **significant stock of AVUM engines** available for Vega and Vega C, so **Vega's operation through the medium term is not going to be impacted** by the war events to date.

Furthermore, ESA has recently decided to provide further financial support to start technical and industrial actions aimed at **mitigating procurement risk in the long-term** through additional technical solutions.

Today Avio also announces the closing of the acquisition of the whole capital of **Temis srl**, a company with significant avionics expertise and a key supplier to the Vega program. As part of the transaction, **Avio also acquired a 5 percent stake in ART Spa**, Temis' former controlling shareholder, with a concurrent Long Term Cooperation Agreement designed to support Temis' operations and supply chain. Avio's acquisition was financed partly with cash and partly with **treasury shares**, as authorized by Avio's shareholders' meeting held in April 2022, **after receiving all necessary authorizations as per the Golden Power Law**. With this transaction Avio acquires crucial core competencies in the field of avionics, also internalizing a significant part of supplier costs linked with the Vega program. TEMIS' expertise and ART's support to TEMIS will be especially relevant with a view to **developing new advanced avionics systems also in connection with programs to be funded within the scope of the Italian National Recovery and Resilience Plan**.

Avio also announces the **signing of an MoU with CDP Venture Capital SGR for structured cooperation** in the important aerospace startup scenario emerging in Italy. Leveraging this agreement, Avio has joined the Takeoff startup accelerator based in Turin and directed by Plug & Play. This program will provide Avio with the opportunity to review and engage with a number of entrepreneurial initiatives also with a view to making potential future investments.

With regard to the economic and financial results, **the order backlog is stable at the levels reached in the last year, amounting at Euro 848 million** (-3%, compared to December 2021). This is thanks to the acquisition of new orders related to the production of the P120, Vega development, as well as development contracts for the new **Teseo defense system for NavArm**. In addition, in August Avio announced further production orders for the Aster system, with **tactical propulsion strengthening as a key sector for Avio's future growth**.

In the first half of 2022, **the Group achieved revenues of Euro 134 million, up 5% from the first half of the previous year**, mainly due to the development activities of the Vega C and Vega E launchers.

Reported EBITDA, amounting to Euro 3.2 million, marks a decrease compared to the first half of the previous year, largely attributable to the significant **increase in energy costs affecting the entire Italian industrial sector and economy since the end of 2021**.

Reported EBIT, amounting to Euro -6.2 million, marks a decrease compared to last year, following the same dynamics of Reported EBITDA, net of lower amortization.

Non-recurring costs, which are excluded from Adjusted EBITDA (Euro 5.6 million), and Adjusted EBIT (-Euro 3.7 million), amounted to approximately Euro 2.4 million in the first half of the year (in line with HY 2021), with the most significant part related to extra costs incurred for the maiden flight of the Vega C program.

The result for the period, at Euro -7.6 million, follows a similar trend with respect to the Reported EBIT, including also tax charges.

The **Net Cash Position as of June 30 2022 amounts to Euro 40.9 million** (Euro 57.2 million as of December 31, 2021 and Euro 36.6 million as of June 30, 2021) with a better result compared to the typical seasonal trend thanks to the performance of working capital, despite the **payment of dividends and further purchases of treasury shares, together with a sustained level of investments (Euro 10.4 million in the six-month period)**. The solid net cash position enables the Group to meet upcoming growth requirements.

Today, the Board of Directors also approved the kick-off of the "Performance Share 2022-2024" Plan, already approved on April 28, 2022 by the Shareholders' Meeting of Avio S.p.A. thus enabling to proceed with the assignment to Avio's top management of the rights to receive, free of charge, up to a total maximum of 105,460 Shares of the Company, equal to 0.40% of the total shares, subject to the achievement of certain minimum performance targets at the end of the three-year period 2022-2024 linked with the new order intake, as an indicator mirroring the sustainability and growth of the business in the medium term and measured as the cumulative value of new contract acquisitions in the three-year period 2022-2024. The information document "Performance Share Plan Prospectus" is available on the Investor Relations website of Avio, in the 2022 Shareholders' meeting section.

Finally, the Board of Directors **updated the company's guidance for the 2022 annual results** to take into account the changed energy cost scenario in Europe and in Italy, which has further worsened after June and through August 2022, making it difficult to predict related developments in the course of the coming months. For such reasons, the guidance has been updated as follows:

Order backlog: Euro 870-920 million - confirmed

Revenues: Euro 330-350 million - confirmed

Reported EBITDA: Euro 17-25 million - updated*

Net income: Euro -2<->+3 million - updated

* confirmed Euro 5 million for Non-recurring costs, implying a Euro 22-30 million for EBITDA Adjusted.

As of June 30, Avio S.p.A. held 1,103,233 treasury shares, equal to 4.19 percent of the share capital.

"The first half of 2022 once again demonstrated Avio's technological capability thanks to the successful qualification flight of the new Vega C and the successful testing of the new M10 methane engine for Vega E, the first of its kind in Europe. - commented Giulio Ranzo, CEO of Avio."

"Visibility on new orders is increasing due to the availability of new products and technologies recognized by customers globally, as demonstrated by the contract between Arianespace and Amazon for the Kuiper constellation. The NRPP projects add new long-term prospects adding to our competitiveness and diversification."

"Finally," Ranzo concludes, "we are pleased to be able to announce the acquisition of TEMIS, a former Avio supplier with strategic expertise in avionics, a key area for our business in

the future. Such vertical expansion in our value chain will give us access to core competencies and also improve the profitability of our business."

The Half-Year Report Key Financial Highlights will be available in the Investor Relations section of www.avio.com to assist the call with financial analysts and investors scheduled for Friday, September the 12th at 9.00 AM CEST. The Half-Year Financial Report will be made available in Italian and in English in accordance with the Law.

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The Executive Officer for Financial Reporting, Alessandro Agosti, declares in accordance with paragraph 2, Article 154-bis of the Consolidated Finance Act that the accounting information in the present press release corresponds to the underlying accounting documents, records and entries.

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Avio is a leading international group operating in the manufacturing and development of space launchers and propulsion systems. The experience and knowhow built up over more than 50 years puts Avio at the cutting edge of the space launcher sector, solid, liquid and cryogenic propulsion and tactical propulsion. Avio operates 5 industrial facilities in Italy, France and France Guyana, employing approx. 1,100 highly-qualified personnel, of which approx. 30% involved in research and development. Avio is a prime contractor for the Vega and Vega C programmes and a sub-contractor for the Ariane programme, both funded by the European Space Agency ("ESA"), placing Italy among the limited number of countries capable of producing a complete spacecraft.

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[Annex – Accounting information](#)

RECLASSIFIED STATEMENTS

GROUP RESULTS & EQUITY AND FINANCIAL POSITION

Operating results

The table below summarises the comparable performance of the Group for the first half of 2022 and the first half of 2021 (in Euro thousands):

	H1 2022	H1 2021	Change
Revenues	133,516	132,879	637
of which: Pass-through revenues	(473)	5,135	(5,608)
Revenues, net of pass-through revenues	133,989	127,744	6,245
Other operating revenues and changes in inventory of finished products, in progress and semi-finished	11,152	5,707	5,445
Costs for goods and services, personnel, other operating costs, net of capitalised costs & pass-through	(140,096)	(125,825)	(14,271)
Effect valuation of investments under equity method - operating income/(charges)	(1,888)	442	(2,329)
EBITDA	3,158	8,067	(4,909)
Amortisation, depreciation & impairments	(9,375)	(10,477)	1,102
EBIT	(6,218)	(2,410)	(3,807)
Interest and other financial income (charges)	(298)	(91)	(207)
Net financial charges	(298)	(91)	(207)
Investment income/(charges)	-	-	-
Profit/(loss) before taxes	(6,516)	(2,501)	(4,014)
Current and deferred taxes	(1,115)	60	(1,175)
Profit/(loss) for the period	(7,631)	(2,441)	(5,190)

Balance Sheet

The Group balance sheet is broken down in the following table (in Euro thousands):

	June 30, 2022	December 31, 2021	Change
Tangible assets and investment property	129,134	126,383	2,751
Right-of-use	8,259	9,456	(1,197)
Goodwill	61,005	61,005	-
Intangible assets with definite life	128,860	129,352	(492)
Equity investments	9,707	11,595	(1,888)
Total fixed assets	336,966	337,790	(825)
Net working capital	(85,703)	(82,997)	(2,706)
Other non-current assets	67,767	70,926	(3,159)
Other non-current liabilities	(118,473)	(119,830)	1,357
Net deferred tax assets	79,695	79,436	259
Provisions for risks and charges	(24,239)	(28,229)	3,990
Employee benefits	(9,318)	(10,344)	1,026
Net capital employed	246,694	246,752	(58)
Non-current financial assets	6,495	6,415	80
Net capital employed & Non-current financial assets	253,189	253,167	22
Net financial position	40,895	57,160	(16,265)
Equity	(294,084)	(310,327)	16,243
Source of funds	(253,189)	(253,167)	(22)

Net cash position

In response to the EMSA guidelines issued in March 2021 and the subsequent CONSOB communication No. 5/21 issued in April 2021, the cash position of the Avio Group is presented below in accordance with these guidelines of the regulatory authorities.

	June 30, 2022	December 31, 2021	Change
A Cash and cash equivalents	(77,085)	(104,614)	27,529
B Other cash equivalents	-	-	-
A Other current financial assets	-	-	-
D Liquidity (A+B+C)	(77,085)	(104,614)	27,529
And Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	4,516	10,655	(6,139)
F Current portion of non-current bank payables	10,041	10,048	(8)
G Current financial debt (E+F)	14,557	20,703	(6,146)
H Net current financial debt (G-D)	(62,528)	(83,911)	21,383
I Non-current financial debt (excluding current portion and debt instruments)	21,633	26,751	(5,118)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	21,633	26,751	(5,118)
M Total financial debt (H + L)	(40,895)	(57,160)	16,265

HALF-YEAR REPORT AT JUNE 30, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	June 30, 2022	December 31, 2021
<i>(in Euro)</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	125,960,020	123,171,430
Right-of-use	3.2	8,259,095	9,455,596
Investment property	3.3	3,173,533	3,211,128
Intangible assets with definite life	3.4	128,860,106	129,351,638
Goodwill	3.5	61,005,397	61,005,397
Equity investments	3.6	9,707,420	11,594,981
Non-current financial assets	3.7	6,495,000	6,415,000
<i>- of which related parties</i>		<i>6,495,000</i>	<i>6,415,000</i>
Deferred tax assets	3.8	79,694,838	79,435,789
Other non-current assets	3.9	67,767,152	70,926,224
Total non-current assets		490,922,561	494,567,183
Current assets			
Inventories and advances to suppliers	3.10	181,680,544	154,732,163
<i>- of which related parties</i>		<i>44,169,431</i>	<i>28,876,340</i>
Contract work-in-progress	3.11	402,710,735	453,807,958
<i>- of which related parties</i>		<i>91,980,325</i>	<i>99,595,770</i>
Trade receivables	3.12	2,337,121	3,696,299
<i>- of which related parties</i>		<i>4,410,487</i>	<i>1,278,074</i>
Cash and cash equivalents	3.13	77,085,145	104,614,266
Tax receivables	3.14	11,628,116	17,655,714
Other current assets	3.15	11,285,168	7,376,377
<i>- of which related parties</i>		<i>18,481</i>	<i>4,093</i>
Total current assets		686,726,830	741,882,777
TOTAL ASSETS		1,177,649,391	1,236,449,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	<i>Note</i>	June 30, 2022	December 31, 2021
<i>(in Euro)</i>			
EQUITY			
Share capital	<i>3.16</i>	90,964,212	90,964,212
Share premium reserve	<i>3.17</i>	130,583,895	135,175,614
Other reserves	<i>3.18</i>	14,072,632	13,596,835
Retained earnings		58,244,290	54,263,653
Group net profit/(loss)		(9,453,889)	8,479,652
Total Group Equity		284,411,140	302,479,966
Equity attributable to non-controlling interests	<i>3.20</i>	9,672,681	7,847,258
TOTAL EQUITY		294,083,821	310,327,224
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	<i>3.21</i>	17,000,000	22,000,000
Non-current financial liabilities for leasing	<i>3.22</i>	4,633,391	4,750,980
<i>- of which related parties</i>		<i>905,244</i>	<i>974,000</i>
Employee provisions	<i>3.23</i>	9,318,082	10,343,919
Provisions for risks and charges	<i>3.24</i>	15,205,346	17,364,250
Other non-current liabilities	<i>3.25</i>	118,473,126	119,830,433
Total non-current liabilities		164,629,944	174,289,582
Current liabilities			
Current financial liabilities	<i>3.26</i>	2,749,245	7,749,245
<i>- of which related parties</i>		<i>2,749,245</i>	<i>7,749,245</i>
Current financial liabilities for leasing	<i>3.27</i>	1,767,193	2,905,817
<i>- of which related parties</i>		<i>155,895</i>	<i>146,000</i>
Current portion of non-current financial payables	<i>3.28</i>	10,040,500	10,048,000
Provisions for risks and charges	<i>3.24</i>	9,033,931	10,864,556
Trade payables	<i>3.29</i>	58,126,176	76,926,918
<i>- of which related parties</i>		<i>9,942,661</i>	<i>11,009,133</i>
Advances from clients for contract work-in-progress	<i>3.11</i>	601,980,296	609,633,812
<i>- of which related parties</i>		<i>121,328,529</i>	<i>100,988,173</i>
Current income tax payables	<i>3.30</i>	7,144,108	7,321,796
Other current liabilities	<i>3.31</i>	28,094,178	26,383,011
<i>- of which related parties</i>		<i>3,432,615</i>	<i>283,264</i>
Total current liabilities		718,935,627	751,833,154
TOTAL LIABILITIES		883,565,571	926,122,736
TOTAL LIABILITIES AND EQUITY		1,177,649,391	1,236,449,960

CONSOLIDATED INCOME STATEMENT	Note	H1 2022	H1 2021
<i>(in Euro)</i>			
Revenues	3.32	133,516,251	132,878,754
- of which related parties		10,892,401	45,633,845
Change in inventory of finished products, in progress and semi-finished		4,290,754	2,790,280
Other operating income	3.33	6,861,350	2,916,602
Consumption of raw materials	3.34	(39,718,094)	(37,553,443)
Service costs	3.35	(60,766,834)	(59,194,067)
- of which related parties		(10,613,762)	(20,015,805)
Personnel expense	3.36	(40,663,756)	(39,157,447)
Amortisation and depreciation	3.37	(9,375,274)	(10,477,285)
Other operating expenses	3.38	(1,973,403)	(2,332,213)
Effect valuation of investments under equity method - operating income/(charges)	3.39	(1,887,561)	441,757
Costs capitalised for internal works	3.40	3,499,026	7,276,783
EBIT		(6,217,540)	(2,410,278)
Financial income	3.41	252,955	347,834
- of which related parties		80,000	78,000
Financial expenses	3.42	(551,012)	(438,970)
- of which related parties		(6,668)	(7,500)
NET FINANCIAL INCOME/(CHARGES)		(298,058)	(91,136)
Other investment income/(charges)			
INVESTMENT INCOME/(CHARGES)		-	-
PROFIT/(LOSS) BEFORE TAXES		(6,515,598)	(2,501,414)
Income taxes	3.43	(1,115,136)	60,228
PROFIT/(LOSS) FOR THE PERIOD		(7,630,733)	(2,441,187)
-- of which: Owners of the parent		(9,453,889)	(2,449,845)
Non-controlling interests		1,823,156	8,658
Basic earnings/(losses) per share	3.44	(0.37)	(0.10)
Diluted earnings/(losses) per share	3.44	(0.36)	(0.09)

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	H1 2022	H1 2021
OPERATING ACTIVITIES		
Net Profit/(Loss)	(7,630,733)	(2,441,187)
Adjustments for:		
- Income taxes	1,115,136	(60,228)
- (Income)/charges from measurement at equity of investment in Europropulsion S.A.	1,887,561	(441,757)
- Financial (Income)/Charges		91,136
- Amortisation & Depreciation	9,375,274	10,477,285
Net change provisions for risks and charges	(3,989,529)	(4,272,148)
Net change employee provisions	(546,789)	(189,432)
Changes in:		
- Inventories and advances to suppliers	(26,948,382)	(9,721,604)
- <i>of which related parties</i>	(15,293,091)	6,224,990
- Contract work-in-progress & advances from clients	43,443,707	10,521,145
- <i>of which related parties</i>	27,955,801	(6,293,948)
- Trade receivables	1,359,178	(2,357,573)
- <i>of which related parties</i>	(3,132,413)	87,505
- Trade payables	(18,800,742)	(13,779,483)
- <i>of which related parties</i>	(1,066,472)	(5,543,567)
- Other current & non-current assets	5,017,369	7,234,004
- <i>of which related parties</i>	(14,388)	(14,225)
- Other current & non-current liabilities	(938,962)	1,628,885
- <i>of which related parties</i>	3,149,351	17,764
Income taxes paid	-	14,537
Interest paid	(96,000)	(126,000)
Net liquidity generated/(employed) in operating activities	(A) 3,247,087	(3,422,419)
INVESTING ACTIVITIES		
Investments in:		
- Tangible assets and investment property	(6,147,018)	(7,104,453)
- Intangible assets with definite life	(4,246,665)	(7,675,433)
- Equity Investments		(1,000)
Liquidity generated (employed) in investing activities	(B) (10,393,683)	(14,780,886)
FINANCING ACTIVITIES		
EIB loan	(5,000,000)	(5,000,000)
Centralised treasury effect with Europropulsion S.A. joint control company	(5,000,000)	(5,000,000)
- <i>of which related parties</i>	(5,000,000)	(5,000,000)
Dividends paid by the parent Avio S.p.A.	(4,492,758)	(7,321,112)
Acquisition of treasury shares	(4,591,719)	-
Other changes to financial assets and liabilities	(1,298,049)	(1,121,592)
- <i>of which related parties</i>	(58,861)	(68,000)
Liquidity generated (employed) in financing activities	(C) (20,382,525)	(18,442,704)
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(A)+(B)+(C) (27,529,121)	(36,646,009)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	104,614,266	124,666,160
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,085,145	88,020,151

Fine Comunicato n.1771-50

Numero di Pagine: 14