



Avio S.p.A.

Registered office in Rome, via Leonida Bissolati No. 76
Administrative offices in Colferro (Rome), via Ariana Km 5.2
Share Capital Euro 90,964,212 fully paid-in
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HALF-YEAR REPORT AT JUNE 30, 2024

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Half-Year Report at June 30, 2024

HIGHLIGHTS

Net revenues

Euro 180.6 million (+14.5% on H1 2023)

EBITDA

Reported: Euro 8.1 million (+56.8% on H1 2023)

Adjusted: Euro 10.6 million (+1.2% on H1 2023)

EBIT

Reported: loss of Euro 0.4 million (loss of Euro 3.9 million in H1 2023)

Adjusted: profit of Euro 2.1 million (profit of Euro 1.4 million in H1 2023)

Profit before taxes

loss of Euro 0.5 million (loss of Euro 3.7 million in H1 2023)

Net Profit

loss of Euro 1.8 million (loss of Euro 3.9 million in H1 2023)

Net cash position

cash of Euro +21.5 million (cash of Euro +76.1 million at December 31, 2023)

Investments

Euro 7.7 million (Euro 12.3 million in H1 2023)

Backlog

Euro 1,386 million at June 30, 2024 (Euro 1,359 million at December 31, 2023)

Research and development

net costs of Euro 67.0 million incurred in H1 2024, equal to 37.1% of net revenues for H1 2024 (net costs of Euro 59.6 million incurred in H1 2023, equal to 37.8% of net revenues for H1 2023)

Employees at period end

1,322 at June 30, 2024 (1,256 at December 31, 2023)



LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We are delighted to present the Financial Report for the first half of 2024 of Avio Group.

The first six months of the year have been full of important events and news for the Company.

On September 5, Vega successfully launched the Sentinel-2C Earth Observation Satellite, a dedicated mission for the European Commission Copernicus Program. The payload was put into a Sun-Synchronous orbit at an altitude of approximately 775 kilometers. The Copernicus Sentinel-2C satellite, with its wide swath, high-resolution, and multi-spectral imaging capabilities, will support a broad range of operational applications including agriculture, water quality monitoring, natural disaster management (e.g. wildfires, volcanoes, floods), and methane emissions detection. After 12 years of service, 22 launches and more than 120 satellites deployed into space, the Vega launcher is now retiring and its legacy will continue with its successor, the Vega C launcher, starting with the next launch before the end of 2024.

During the first six months of 2024, the Company continued to focus on preparatory activities for the safe return to flight of Vega C. On May 28, 2024 the Zefiro-40 solid rocket motor, the second stage of the Vega C rocket, was successfully tested at Salto di Quirra test facility in Sardinia. Initial post-test review indicates that the new nozzle assembly performed as expected, simulating a nominal in-flight performance. A second firing test will be conducted in October before the return-to-flight of Vega C currently scheduled in Q4 2024.

The market's confidence in Vega C launcher is confirmed by the decision taken by the European Space Agency ("ESA") to choose Vega C to launch the Solar wind Magnetosphere Ionosphere Link Explorer (SMILE) mission, with the aim to study the interaction between the Sun and Earth. The launch is currently expected for late 2025.

The first months of 2024 have been marked by important decisions related to the governance at European level related to space launchers, following from the Resolution adopted by ESA Council in Seville on November 6, 2023, which set the stage for Vega launcher to be commercialized by Avio. In particular, the Resolution adopted on July 5, 2024 transferred to Avio the responsibilities to conduct Vega C commercial operations. Arianespace will remain the operator for Vega C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025.

On July 9, 2024 Ariane 6 launcher successfully completed its maiden flight: the new launcher lifted-off from the French Guiana Space Centre, placing into orbit multiple payloads. Avio is partner of the Ariane 6 program providing the solid rocket boosters P120C and the liquid oxygen turbopumps for the core stage Vulcain 2.1 engine and the upper stage Vinci engine. The P120C motors had an optimal performance. Avio will continue to provide those boosters, which will be used in a two or four boosters configuration, depending on the payload to be transported in orbit. Avio is already working on a more powerful version of the booster, called P160, which will increase the thrust of the launcher and its payload capacity, to accomplish the missions for the Amazon Kuiper satellite constellation, among the other things. The P160 will be the world largest carbon fiber monolithic motor and will also be equipped on Vega C.

The first part of 2024 saw an increase in defense demand at international level, with a corresponding growth in defense propulsion activities for the Company. In such a scenario, following the establishment of Avio USA, on July 23, 2024 the Company announced two important new contracts. The first one with Raytheon, leader in defense solutions for the U.S. Government and Allied Demand, to initiate and progress the development of critical solid rocket motors for defense applications; the second one with U.S. Army Combat Capabilities Development Command Aviation & Missile Center for the development and fast-prototyping of a solid rocket motor for surface-to-air applications. Together with the development, both contracts pave the way for a future transition to production.

*Half-Year Report at June 30, 2024*

On April 23, 2024, the Ordinary Shareholders' Meeting of Avio S.p.A. unanimously approved the proposal of the Board of Directors to distribute a dividend equal to EUR 3,750 thousand and an extraordinary dividend equal to EUR 2,250 thousand. In order to increase the sense of belonging of its employees, the Shareholders' Meeting also approved two share-based remuneration plans. The Shareholders' Meeting also unanimously authorized an additional tranche of purchase of Company's treasury shares for a maximum total value of 5.3% of the share capital, until the maximum limit set by Law.

In terms of financial results, the first semester 2024 reported a backlog equal to EUR 1,386 million, in line if compared to 31 December 2023. New orders in the first six months exceed EUR 200 million, of which approximately half related to defense propulsion contracts and, for the remaining part, related to production activities of P160 boosters and additional Vega E development activities.

Net Revenues amounted to EUR 181 million, marking a 15% increase compared to first semester 2023, thanks to an increase in defense propulsion production activities and technological development projects (Next Gen EU).

EBITDA Adjusted is in line with first semester 2023 (EUR 10.6 million vs. EUR 10.5 million). This item is driven by higher revenues, with a different business mix characterized by lower production of Ariane and Vega P120/P160 boosters, waiting for, respectively, the maiden flight of Ariane 6 (which was successfully completed in early July 2024) and the return to flight of Vega C confirmed in Q4 2024 (following the successful test of the Zefiro-40 solid rocket motor in May).

During the first semester non-recurring costs record a significant decrease (EUR 2.5 million in first semester 2024 vs. approx. EUR 5 million in 2023), thanks to lower costs related to Vega C return to flight. This drives a steep increase of EBITDA Reported compared to the first semester 2023 (EUR 8.1 million in first semester 2024 vs. EUR 5.2 million in first semester 2023).

Net Cash Position amounts to EUR 21.5 million, scoring a significant decrease compared to EUR 76.1 million in December 31, 2023. The item reflects the typical seasonal trend of the business related to the flow-down of previously collected cash advances to subcontractors and procurement of certain strategic long lead items of Vega C.

The 2024 Guidance announced in March 2024 is confirmed.

Following the successful last flight of Vega and the maiden flight of Ariane 6, to which Avio proudly contributes, during the present year the Company will continue to work with determination to ensure that the return to flight of Vega C takes place on schedule, thus finally ensuring to Europe the return to an independent access to space. At the same time, the important news related to the defense propulsion business have marked a new trajectory and exciting new goals for the future of the Company's business. Aware of our experience, with passion and determination we will start to work with our new American partners to support them and achieve increasingly challenging goals.

Giulio Ranzo
Chief Executive Officer and General Manager
Avio S.p.A.



DIRECTORS' REPORT



THE AVIO GROUP



Half-Year Report at June 30, 2024

PROFILE

The Avio Group (hereafter in this Directors' Report also "Avio" or the "Group") is an aerospace sector global leader. The experience and know-how built up over more than 50 years lies behind Avio's embodiment of excellence in terms of launch systems, solid, liquid and cryogenic propulsion and military systems propulsion.

The Group directly employs in Italy and overseas over one thousand highly-qualified personnel at the main Colferro facilities on the outskirts of Rome and at other locations in Campania, Piedmont and Sardinia. Additional operating sites are located overseas (in France and French Guiana).

The Group is currently involved in the Launch Systems and space propulsion sector, particularly with regards to the design, development, production and integration of:

- space transport systems (Vega Launcher and future developments);
- solid and liquid propulsion systems for launchers (Ariane 6 Launcher, Vega family of launchers);
- solid propulsion systems for tactical missiles (Aspide, Aster, CAMM-ER, MARTE, TESEO);
- liquid propulsion systems for satellites;
- new environmentally-friendly liquid propulsion systems for future launchers and orbital modules;
- ground infrastructure for launcher preparation and launch.

The current **Launch Systems** with Avio components are:

- Ariane 6, whose test launch took place on July 9, 2024. The launcher has two distinct configurations for feasible missions, guaranteeing greater payload flexibility. In particular, the A62, with two P120C solid propulsion boosters, and the A64, with four P120C solid propulsion boosters, will be used for both GEO (geostationary) satellite positioning, at an altitude of 36,000 km, and other kinds of mission, such as launches to LEO orbits, SSO (sun-synchronous) polar orbits, MEO (medium earth) orbits, 4.5 tonne satellites to GEO orbits, and 20 tonne satellites to LEO orbits. In this context, Avio supplies solid boosters for both Ariane 6 configurations, as well as two oxygen turbopumps for the liquid stages of the Vulcain 2 and Vinci engines;
- Vega, the European launcher developed and built by Avio, for the launch of up to 2-tonne satellites into Low Earth Orbit (between 300 and 2,000 km above sea level). Since 2000, Vega completed its first test launch in February 2012, 5 flights in December 2015 under the VERTA contract for completion of the qualification process, and its first commercial flight in 2016. The success of this product has allowed Italy to enter the extremely exclusive group of countries capable of developing and producing its own space launcher;
- Vega C, an evolution of the current Vega model, is a launcher which made its maiden flight on July 13, 2022, and experienced an anomaly in the subsequent commercial flight on December 21, 2022. Return to flight activities are currently underway, as described in the section on significant events during the period. Vega C is designed for a greater payload than the Vega and at the same time optimises production costs thanks to the sharing of the new first stage (P120C) with Ariane 6.

Regarding **defence activities**, Avio participates in major national and international programmes. These include:

- ASTER, a ground-air defence system;
- CAMM-ER, ground-air defence system currently under development;
- MARTE, a helicopter and ship launched anti-ship weapon.

Furthermore, as detailed in the section "subsequent events to the period-end", to which reference should be made, on July 24, Avio announced the beginning of two partnerships with Raytheon (RTX) and the US Army.

In the field of **satellite propulsion**, Avio has developed and supplied the European Space Agency (ESA) and the Italian Space Agency (ASI) with propulsion subsystems for the launching and control of several satellites, including the latest SICRAL, Small GEO and EDRS-C satellites. Avio is currently participating in the development and qualification of the propulsion systems of the Hera satellite and of the Mars Sample Return mission, for the Orbit Insertion Module and for the Return Module.



The Group operates in the following business lines:

- **Ariane**

Ariane is a space programme for ESA-sponsored GEO missions, in which ArianeGroup ("AG") is the prime contractor. Avio is the subcontractor for the next-generation Ariane 6 launcher, whose test launch was carried out on July 9, 2024¹. For this launcher Avio, through its subsidiary Europropulsion, is producing (i) the solid propellant P120C engine, (ii) the liquid oxygen turbopump for the Vulcain 2.1 engine and (iii) the liquid oxygen turbopump for the Vinci engine. Avio is already working on a more powerful version of the boosters, called the P160, which will increase the thrust of the launcher and consequently also its load capacity.

- **Vega**

Vega is a space programme for LEO missions, whose development has been funded by the ESA, with mainly Italian funding, and for which the Group is the prime contractor for the production and integration of components for the entire launcher and for the production of the solid propulsion engines P80, Zefiro 23 and Zefiro 9 and of the AVUM liquid propulsion module. The Group also plays the role of the ESA's prime contractor for the development of the new generation of Vega Consolidated (Vega-C) launchers, whose test launch was carried out on July 13, 2022. The Group is responsible for the development and production of these entire launchers, in addition to (i) the development of the solid propulsion engine P120C (first stage to replace the current P80), which is constructed in synergy with the Ariane programme 6), (ii) the Z40 solid propellant engine (second stage to replace the current Z23) and (iii) an engine that uses oxygen-methane liquid known as M10 for the upper Vega-E stage.

- **Defence**

Avio is responsible for the design and production of the following products:

- Aster 30 - in particular, the booster engines, the Thrust Vector Control (TVC) actuation system and the aerodynamic control surfaces (fins);
- Aster 15 - in particular, the aerodynamic control surfaces (fins);
- Aspide propulsion units;
- Marte sustainer.

Regarding development programmes:

- CAMM-ER - development of the booster and single stage sustainer engine, wiring and aerodynamic control surfaces (fins);
- Aster 30 MLU - development of the new Aster 30 booster to replace the current one in production, from 2022, solving REACH and obsolescence issues.

With net revenues in the first half of 2024 of Euro 180.6 million and Reported EBITDA of Euro 8.1 million, the Group currently occupies a leading position in the Italian and European space industry, substantially supported by its high degree of competitiveness - drawing over 98% of its revenues from overseas.

The highly technological content of Avio's operations has required research and development spend - for the portion principally commissioned by the ESA, ASI and Member State ministries - accounting for 37.1% of net revenues in H1 2024. These activities were carried out both in-house and through sub-contractors and a network of laboratories and partnerships with some of the leading domestic and international universities and research centres.

¹ See press release of November 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>



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CORPORATE BOARDS & COMMITTEES

Board of Directors

On April 28, 2023, the Shareholder's Meeting appointed the new Board of Directors of Avio S.p.A., which in turn, on April 28, 2023, decided upon the internal appointments and the granting of the powers required to complete company operations. On the same date, the role of Vice-Chairperson was established for the first time.

The Shareholders' Meeting confirmed the number of members at 11 and the term of office of the Board of Directors at three years, concluding with approval of the 2025 Annual Accounts.

Roberto Italia	Chairperson (c)
Giovanni Gorno Tempini	Independent Director, Vice-Chairperson
Giulio Ranzo	Chief Executive Officer
Letizia Colucci	Director (b)
Luigi Pasquali	Director
Elena Pisonero	Independent Director (c)
Donatella Sciuto	Independent Director (b)
Giovanni Soccodato	Director (a)
Raffaele Cappiello	Independent Director (b) (a)
Donatella Isaia	Independent Director (a)
Marcella Logli	Independent Director (c)

- a. Member of the Appointments and Remuneration Committee
- b. Member of the Control and Risks Committee
- c. Member of the Sustainability Committee

Board of Statutory Auditors

On April 28, 2023, the Shareholders' Meeting of Avio S.p.A. appointed its new Board of Statutory Auditors, whose term of office is three years, concluding with the approval of the 2025 Annual Accounts.

Vito Di Battista	Chairperson
Mario Matteo Busso	Statutory Auditor
Michela Zeme	Statutory Auditor
Roberto Cassader	Alternate Auditor
Sara Fornasiero	Alternate Auditor

Supervisory Board

On May 9, 2023, the Board of Directors of Avio S.p.A. appointed its new Supervisory Board, confirming its composition and term of office, which is three years, concluding with the approval of the 2025 Annual Accounts.

Alessandro De Nicola	Chairperson
Giorgio Martellino	Member
Raoul Vitulo	Member

Independent Audit Firm

Deloitte & Touche S.p.A. (2017-2025)



RECENT HISTORY

1994

The FIAT Group, operating since the early 1900's in the aviation sector, acquired in 1994 BPD Difesa e Spazio, a company founded in 1912 and growing to over 4,000 staff, focused on munitions development and production for Italian and foreign militaries.

2000

In 2000, adding to its traditional aeronautical and aerospace activities, the Group, in collaboration with the Italian Space Agency (ASI), established ELV S.p.A. (held 70%) for the complete development and design of a new launcher. In this role, under the auspices of the European Space Agency (ESA), the Group assumed the role of lead contractor for the European launcher VEGA.

2006

The Avio Group was acquired by BCV Investments, owned by the private equity fund Cinven (81%), Finmeccanica Group (14%, now Leonardo Group) and other investors (5%).

2012

In February, the European space launch system named VEGA, designed and engineered by Avio, was approved. In December, Avio announced the signing of an agreement for the sale of its aeronautical division to General Electric.

2013

In May, Avio's new VEGA launcher successfully completed its first commercial flight. On August 1, 2013, Avio sold GE Avio S.r.l., which operated its aeronautic division, to General Electric.

2014

In December, the European Space Agency Ministerial Conference of Member States decided to finance the VEGA launcher development programme until its completion, including a first rocket stage (the P120C) to be shared with the forthcoming Ariane 6 launcher, also fully financed.

2015

The outcome of the Ministerial Conference of ESA countries, held the previous December 2014, led in August 2015 to the signing of major development contracts for the Vega-C and Ariane 6 launchers. Avio's key role was recognised thanks to its participation in the development programme for Vega-C and Ariane 6's shared rocket stage, the P120C, and its lead systems engineering role in the VECEP programme for the development of the Vega-C launcher.

For the first time in the history of the Kourou Space Centre as many as 12 launches were made in one year, including 6 involving Ariane and 3 for Vega.

2016 - 2017

In the fourth quarter of 2016, the operation for the acquisition and listing of the Avio Group by Space2 S.p.A., an Italian SPAC listed on the MIV market/SIV segment of Borsa Italiana S.p.A., was initiated.

This operation was completed on March 31, 2017 with the acquisition by Space2, Leonardo S.p.A. and In Orbit S.p.A. (a company formed by a number of Avio managers) of an 85.68% holding in Avio. The remaining investment was already held by Leonardo. On the same date, CONSOB authorised publication of the listing prospectus for ordinary Space2 post-merger with Avio shares on the Italian Stock Exchange. The merger by incorporation with Space2 was thereafter effectively executed on April 10, 2017.

Also on April 10, 2017, Space2 post-merger with Avio, maintaining the name "Avio S.p.A.", was listed on the Italian Stock Exchange's STAR segment.

2018

As part of the process initiated by European Space Agency (ESA) member states for new governance of the European launchers sector, in order to transfer to the prime contractors (Ariane Group for Ariane 6 and Avio for Vega-C) the responsibility for commercial exploitation of the new products and the associated risks, and following completion of the accompanying flights for Vega launcher testing, the shareholders of ELV S.p.A. (held 70% by Avio S.p.A. and 30% by ASI) reorganised operations, with development, production and distribution of launchers carried out by the industrial shareholder Avio, while ELV S.p.A. concentrates on the research and development of new technologies and on aviation testing.



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Therefore, on March 1, 2018, the subsidiary ELV S.p.A. transferred to Avio S.p.A. the launchers development, production and distribution business unit. Following this reorganisation, the subsidiary ELV S.p.A. took from May 9, 2018 the new name of Spacelab S.p.A., focusing on the research and development of new technologies and space transport product testing.

On February 7, 2018, the company Avio Guyane SAS was incorporated, fully owned by Avio S.p.A. and operating at the Kourou launch site in French Guiana. The company is involved in coordinating the launch campaigns and managing the ground infrastructure for the Vega launches, optimising the industrial processes and boosting productivity ahead of a future increase in the number of Vega launches.

2019-2021

On August 19, 2019 the company Avio France S.A.S., with registered office in Paris and wholly-owned by Avio S.p.A., was incorporated. Its corporate scope is to undertake engineering activities to study and design space transport systems and subsystems.

2022-2023

Avio USA Inc., which is wholly-owned by Avio S.p.A., was incorporated in Delaware and established in Virginia. Avio USA is structured to operate in compliance with US security and export control regulations and is managed by a US-majority board of directors. A US team with sector competencies and relevant experience has been hired. This team has begun mapping the market for relevant opportunities with a view also to engaging in early discussions with prospective customers.

The Chief Executive Officer of Avio USA is retired US Navy Vice-Admiral James Syring, former director of the US Missile Defense Agency, and the Chairman is former Booz Allen Hamilton Partner Martin Bollinger

BUSINESS AREAS

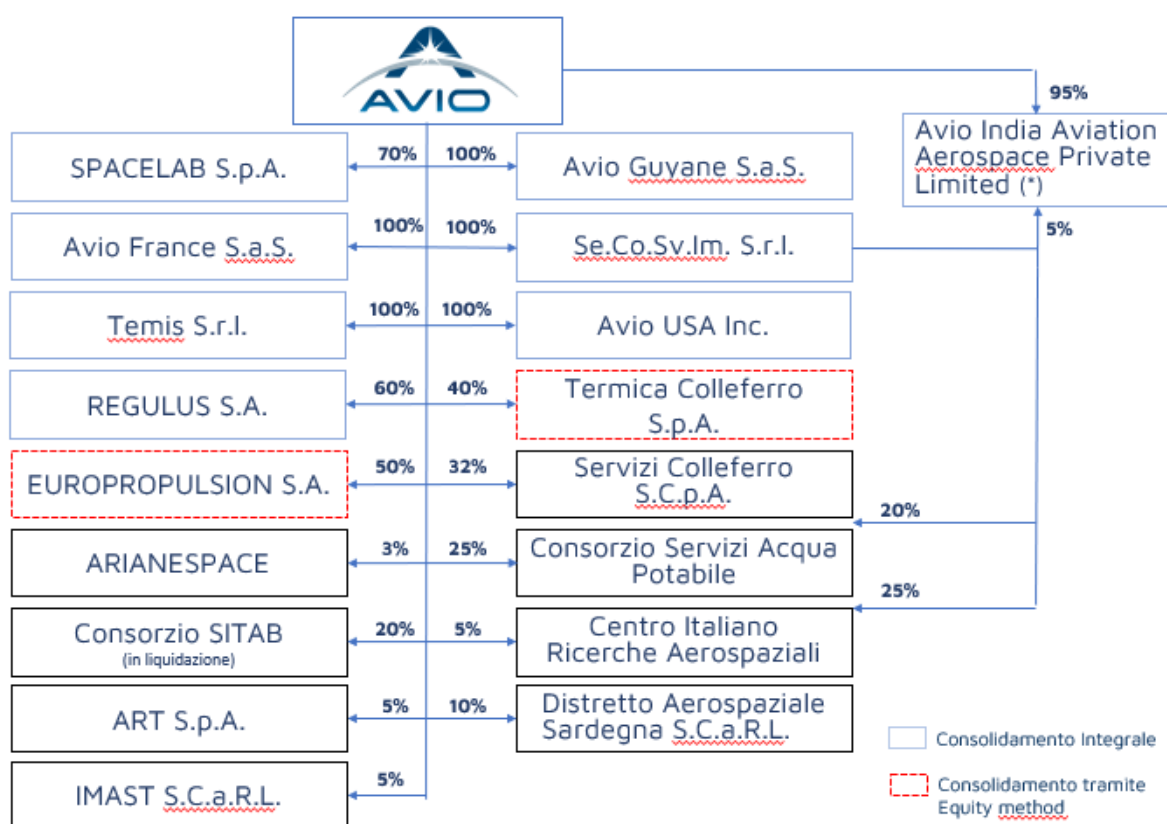
Core operations: design, development and production of solid and liquid propellant propulsion systems for space launchers; design, development and production of solid propellant propulsion systems for tactical missiles in the defence segment; development, integration and supply of complete light space launchers (VEGA); research and development of new low environmental impact propulsion systems and of satellite tracking control engines.

Main programmes: Ariane, VEGA, Aster, CAMM-ER

Main customers: Arianespace, ESA (European Space Agency), ArianeGroup (previously Airbus Safran Launchers), ASI (Italian Space Agency) and MBDA

GROUP STRUCTURE AND INTERNATIONAL PRESENCE

The Avio Group's ownership structure is reported below:



* indicates that the company is in voluntary liquidation. No financial significant commitments are expected for the Avio Group related to the liquidation.

The Group has production facilities in Italy, primarily in Colleferro (Rome) and Villaputzo (Cagliari), and in France, where the joint venture Europropulsion S.A. is based. There is also a research lab in Airola (Benevento), Italy. In Kourou, French Guyana, there is the European spaceport where loading and integration of the Ariane 5 and Ariane 6 solid-propellant booster segments, as well as integration of the VEGA/VEGA-C launcher, take place. Moreover, the Group, through its subsidiary Spacelab S.p.A., has a shareholding with a nominal value of Euro 350 thousand in the E. Amaldi Foundation, whose primary objective is to promote and support scientific research aimed at technology transfer, starting from the space sector, as a fundamental tool for the economic development of the country and as a source of innovation to improve competitiveness, productivity and employment.

STRATEGY

Avio Group's strategy in the current decade is mainly orientated by the agreements:

- at national level with:
 - o the Italian Government, which, through the ASI (Italian Space Agency) and the ESA (European Space Agency) intends to implement the initiatives of the National Recovery and Resilience Plan regarding the Space sector,
 - o the Defence Administration and MBDA for the development, production and sale of military products,
- at European level with:
 - o the ESA for the development of new products and services in line with its activities at a national level, and
 - o Arianespace for the production, integration and batch sale of the Vega and Vega C launchers
 - o ArianeGroup for the production, integration and batch sale of the P120C engines.
- at the US level with:
 - o the incorporation of Avio USA Inc., which is wholly-owned by Avio S.p.A.
 - o the hiring of a US team with sector competencies and relevant experience.
 - o the beginning of market mapping for relevant opportunities, with a view also to engaging in early discussions with prospective customers.

These interests mean that Avio is among the very small number of companies worldwide operating in the field of Space Access.

Regarding the agreements at European level, major developments emerged following the European Space Agency (ESA) Council meeting held on November 6, 2023 in the presence of ministers representing the various member states². In fact, among the major decisions taken by the Council, a number concerned key junctures of programmes of interest to Avio and, in particular, Ariane 6, Vega C and Vega E.

The main outcomes included:

- the coverage, through additional funding, of a portion of the additional production costs resulting largely from the significant rise in inflation that has emerged over the past 2 years in the eurozone, particularly for Ariane 6 up to Euro 340 million per year and for Vega C up to Euro 21 million per year;
- the expectation of a minimum number of European institutional launches, both for Ariane 6 (4 flights/year) and Vega C (3 flights/year), increased from that expected in previous years, due in part to the growth in size of the various European satellite programmes;
- the opening of a competition in the European launcher sector through a special competitive process (European Launcher Challenge) by the ESA to develop and demonstrate the launch capability of new systems (up to Euro 150 million);
- Avio's gradual assumption of Vega C's Launch Service Operator (LSO) and Launch Service Provider (LSP) functions, i.e., responsibilities for Vega C's flight operations and commercialisation rights, with the expectation of an agreement to be reached between Arianespace and Avio to manage the contracts already acquired by Arianespace to put into orbit about 25 satellites over the next few years, from 2024 to 2027;
- the allocation to Vega C and Vega E, at the Kourou space centre, of an existing facility that will be dedicated to launcher pre-integration so as to increase the annual launch frequency and the related allocation to Vega E of the launch pad previously used by Ariane 5.

By resolution on July 5, 2024³, the European Space Agency (ESA) laid the foundations for the commercialisation of the Vega launcher, developed by its prime contractor, Avio, on behalf of ESA. "ESA Member States are finalising the changes needed to the framework governing the exploitation of ESA-developed launchers to allow for Avio to become a Vega launch service provider", stated Toni Tolker-Nielsen, ESA Director of Space

² See press release of November 7, 2023 at the link: <https://www.avio.com/it/comunicati-stampa/consiglio-ministeriale-esa-importanti-decisioni-su-ariane-6-vega-c-vega>

³ See press release of November 5, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/le-decisioni-del-consiglio-esa-pongono-le-basi-servizi-di-lancio-europei-piu>

Transportation, "With today's decisions, ESA Member States are ensuring continuity while allowing Avio to market the Vega launch services from now on". Arianespace and Avio have agreed that Arianespace will remain the launch service provider and operator for Vega and Vega-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025.

In the area of Development Activities, in accordance with the outcomes of the 2014, 2016, 2019 and 2022 Ministerial Conferences, which confirmed the European strategy for developing its launchers (from Vega to Vega C and Ariane 5 to Ariane 62/64). In accordance with the contracts signed from 2015 onwards, Avio is therefore pursuing:

- exploitation of the **Vega C** launcher to replace the Vega launcher, enabling (i) an increase in performance of approximately 60% due to the new P120C engines (stage one) and Z40 (stage two) and lighter structures, (ii) an increase in the launch system's flexibility due to larger-capacity liquid tanks and (iii) an increase in available market share due its greater performances and larger payload fairing in order to carry satellites with greater mass and volume and lighter structures, and finally (iv) a reduction in the k€/kg launch price, in a scenario where this key parameter in the choice of a launch service is continuously declining (effect of competition). Vega C's test flight was carried out on July 13, 2022;
- the development of an enhanced version of the P120C engine, the **P160**, which will have a greater quantity of solid fuel, and therefore bring a delta performance to the Vega C+ launcher of approximately 200 kg in the same reference orbit. The use of the same P160 engine for the A6 launcher will enable participation in the Kuiper Constellation deployment (16 launches contracted by Arianespace)
- the development of **enabling technologies** to further increase the performance of future launchers and reduce their cost, and in particular:
 - o liquid fuel tanks in composite material;
 - o modular avionics 3.0;
 - o non-explosive stage separation systems;
 - o sub-orbital and orbital demonstrators that incorporate the aforementioned technologies and which are considered precursors of the new Micro Launch Vehicle (MLV) class of launchers;
- the LOX/CNG based **M60 engine**, the evolution of the M10 engine that will equip the Vega E, considered the building block of the post-Vega-E Vega Next launcher (time horizon beyond 2032);
- the development of a multi-purpose engine called the **MPGE** as an alternative to the Ukrainian MEA intended to equip the Vega C as a fourth stage after its qualification, and its adaptation for **IOS** (In Orbit Servicing) missions, including a enabling technology demonstrator provided for under the National Recovery and Resilience Plan;
- the development of an alternative source for the supply of **Carbon-Carbon**, a material used for the manufacture of nozzle throat inserts manufactured by Avio for Vega C;
- developing **Vega E**, and, in particular, its Upper Stage, with the new M10 engine with cryogenic oxygen and methane propellants. Vega-E (a three-stage launcher based on P120C, Z40 and a LOx-Methane Upper Stage), in addition to cutting the launch price in €/kg compared to the Vega C, will further improve: (i) Vega-C's performance and (ii) the range and flexibility of satellite services, enabling, among other benefits, more extensive orbital parameter changes than possible with Vega and Vega-C;
- the development of the **Space Rider**, the European return vehicle, in which Avio is the Prime Contractor of the ESA (together with TASI) for the supply of the Attitude & Vernier Upper Module Orbital Module (AOM) derived from Vega C. Space Rider is a spacecraft taken into orbit by Vega-C, capable of carrying up to 500 kg of payload for different applications, of remaining in that orbit for a period of time in the order of 2 months, in order to carry out a series of experiments or orbital services, and finally return to earth for the recovery of the payloads;
- developing Smart Payload Adapters (**PLA**), which make it possible to adapt launches to the varying needs of commercial and institutional customers who increasingly use greater numbers of satellites



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with reduced masses and volumes. These PLAs can, therefore, offer different types of missions, from single/double to Piggyback and Rideshare launches via SSMS (already used in Vega flight VV16).

In terms of production activities, Avio:

- once the problems preventing the Company from flying Vega C are resolved, intends to stabilise the frequency of flights at 4 per year, then raise it to 5 per year, through investments in French Guiana, particularly relating to the new Integration Building;
- through the subsidiary Avio Guyane, acquired control of the Zone de Lancement Vega (ZLV) launch area and the management; in particular it ensures main launcher assembly installation maintenance (e.g. control centre, integration and launch building, propellant loading stations). This consolidates its ground activities role, i.e. mechanical, electrical and hydraulic management activities at the Kourou launch base, which was assumed in 2016 and extended its scope of expertise.

In the defence field, there is a growing demand for defence activities internationally.

Against this backdrop, on July 23, 2024, Avio announced that it had signed a contract with Raytheon, a division of RTX (NYSE: RTX), a leader in defence solutions for the US government and its allies, to begin and advance the development of solid propellant engines for defence. The contract lays the foundation for the engineering work required to start production of these engines.⁴

Avio's planned investments in resources and production capacity help meet immediate customer demand. Avio will be able to utilise the existing capacity of its Italian production and engineering teams to support Avio USA's growth and facilitate its strategy for solid-propellant engine production. Avio USA is a subsidiary of Avio in the United States with headquarters in Arlington, Virginia.

On the same date, Avio announced that AVIO S.p.A. and the U.S. Army Combat Capabilities Development Command Aviation & Missile Center are entering into a partnership to develop and prototype a solid-propellant thruster for surface-to-air applications. The project draws on the experience of both parties to qualify the propulsion system with a production-orientated design approach, offering the possibility of a transition to production in the future⁵.

⁴ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-raytheon-rtx-produzione-di-motori-propellente-solido>

⁵ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-lesercito-degli-stati-uniti>



SHAREHOLDERS

At June 30, 2024, the share capital of Avio S.p.A. of Euro 90,964,212.90 comprised 26,359,346 ordinary shares, of which:

- 22,533,917 ordinary shares from the merger with Space2, which resulted in the listing of Avio S.p.A. on April 10, 2017 (the "business combination") on the STAR segment of the Italian Stock Exchange (MTA);
- 1,800,000 shares following the conversion of 400,000 special shares into 2 tranches. In particular, the first tranche of 140,000 special shares was converted into 630,000 ordinary shares at the effective merger date of April 10, 2017, while the second tranche of 260,000 special shares was converted into 1,170,000 ordinary shares on May 17, 2017;
- 2,025,429 shares following the exercise of 7,465,267 market warrants in the June 16 - August 16, 2017 period.

In addition, Space Holding S.r.l., the promoter of the business combination, holds 800,000 sponsor warrants, exercisable within 10 years from the effective merger date of April 10, 2017, on the condition that Avio S.p.A.'s share price reaches Euro 13.00, with a conversion ratio with Avio S.p.A. post-merger shares of 1 against the payment of an exercise price of Euro 13.00.

At the effective merger date (April 10, 2017, the first trading day of the Avio S.p.A. share on the MTA), the condition for the exercise of the Sponsor Warrants was satisfied. At June 30, 2024, no exercise requests have been received from holders.

At the date of this report, on the basis of the communications received as per Article 120 of the CFA and the information available to the Company, the Avio S.p.A. shareholder structure was as follows:

Shareholder	% share capital
Leonardo S.p.A.	29.63%
Cobas AM	9.05% ⁶
Cgn Futuro S.r.l.	7.37%
Space Holding S.r.l.	4.08%
In Orbit S.p.A.	4.03%
Delfin S.a.r.l.	3.79%
Treasury shares	4.14%
Remaining MTA free float	37.91%
Total	100.00%

⁶ Share held through various investment funds



H1 2024



H1 SIGNIFICANT EVENTS

Business

VEGA C to launch the SMILE mission for ESA

The European Space Agency has chosen Vega C to launch the Solar wind Magnetosphere Ionosphere Link Explorer (SMILE) mission.

The goal of SMILE, fruit of a collaboration between the ESA and CAS⁷, is to study interactions between the Sun and the Earth. The launch will make a major European contribution to the mission.

SMILE will be launched on Vega C from Europe's Spaceport in French Guyana. The launch is currently scheduled for the end of 2025.

Zefiro 40 successfully tested⁸

The Zefiro-40 solid-fuel rocket engine, the second stage of the Vega-C launcher, was tested by Avio at the Salto di Quirra testing range in Sardinia. The engine features an improved nozzle design for Vega-C's return to flight by the end of 2024.

Post-test analyses indicated that the new nozzle design performed as intended during the 94 seconds of scheduled testing, simulating normal in-flight performance.

A second ignition test will be conducted in October to confirm the data collected in the first test. Avio engineers will carefully examine the data from the first test in view of the second test, which will qualify the Zefiro-40 engine for Vega C's return to flight by the end of 2024.

Rosario Esposito joins Avio as Chief Operating Officer⁹

As mentioned above, in the coming years, Avio expects to exploit unprecedented opportunities to boost production volumes across a wide range of programmes, including an increase in the rate of Vega C flights, a ramp-up in the production of Ariane 6, and an increase in production volumes of defence propulsion systems. To do this, Avio will need to leverage state-of-the-art lean manufacturing, digitalisation and industry best practices to ensure reliable fulfilment of its order backlog.

In this regard, as part of ongoing efforts to strengthen its leadership team, Avio has hired Rosario Esposito as its Chief Operating Officer, from January 2024. Mr. Esposito has over 30 years of experience in operations and supply chain management, much of which in Europe and in the United States in the Aerospace industry, with Boeing and General Electric Aviation. His last assignment was Boeing Commercial Aircraft lead at Spirit Aerosystems. His proven capabilities in lean manufacturing and supply chain management will contribute greatly to Avio's ability to succeed in meeting its commitments. In his capacity, he will be responsible for Industrial Operations, Supply Chain Management, ICT, and Continuous Improvement.

Mr. Esposito will be supported by Savio Mazzarella, as the new Director of Supply Chain Management. Mr. Mazzarella also joined Avio in January 2024, and boasts over 25 years of experience in programme and supply chain management in the aerospace industry, having worked in Europe, Israel and the United States on various aircraft programmes. His last role was in SVP Procurement for Structures, Plants & Equipment at Leonardo, where he worked extensively in the Aerostructures division. Mr. Mazzarella's expertise will help Avio manage its pan-European supply chain, improving the quality and punctuality of deliveries. Mr. Mazzarella will work with our supply chain end-to-end, from procurement through to supplier management, supplier quality assurance and logistics.

⁷ See also the April 30, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/vega-c-lancera-missione-smile-lesa-cas>

⁸ See also the May 28, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/zefiro-40-testato-con-successo-vega-c-piu-vicino-al-volo>

⁹ See also the January 11, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/rosario-esposito-entra-avio-come-chief-operating-officer>



Other significant events

Distribution of dividends¹⁰

On April 23, 2024, Avio S.p.A.'s Ordinary Shareholders' Meeting unanimously approved the Board of Directors' proposal to distribute an ordinary dividend of Euro 3,750 thousand, to be paid out of the profit for 2023, and an extraordinary dividend of Euro 2,250 thousand, through the partial use of retained earnings.

Approval of plan to purchase Treasury Shares¹⁰

On April 23, 2024, Avio S.p.A.'s Ordinary Shareholders' Meeting voted unanimously to authorise the purchase of the Company's treasury shares, in one or more instalments, in amounts at the Board of Directors' full discretion, up to a further maximum of 5.3% of the share capital, thereby reaching the maximum of one-fifth of the share capital.

Approval of the 2024-2026 Performance Share Plan¹⁰

On April 23, 2024, the Shareholders' Meeting approved, pursuant to and in accordance with Article 114-*bis* of the CFA, the adoption of a company share-based remuneration plan called the "2024-2026 Performance Share Plan" for the Chief Executive Officer/General Manager, the Senior Executives and a number of other executives, in accordance with the explanatory report and related Prospectus. The plan was approved with the unanimous vote of the share capital attending the Shareholders' Meeting. The allocation of these rights was made by notice to the beneficiaries on May 27, 2024.

Approval of the 2024-2026 Restricted Share Plan¹⁰

The Shareholders' Meeting of April 23, 2024 approved, pursuant to and in accordance with Article 114-bis of the CFA, the adoption of a company share-based remuneration plan called the "2024-2026 Restricted Share Plan" for professional company employees not covered by the "2024-2026 Performance Share Plan", in accordance with the explanatory report and related Prospectus. The plan was approved with the favourable vote of more than 99% of the share capital attending the Shareholders' Meeting. At today's date, the allocation of the relevant rights is being defined.

¹⁰ See also the April 23, 2024 press release at the link: <https://www.avio.com/index.php/it/comunicati-stampa/assemblea-ordinaria-degli-azionisti-di-avio-spa-23-aprile-2024>



MARKET PERFORMANCE AND OPERATIONS

General overview: historic and future outlook

In the first six months of 2024 (hereinafter: H1 24), 127 orbital launches were carried out (compared with 98 in the same period of 2023), 3 of which reported a failure (compared to a total of 11 in 2023). Globally, these 127 launches put into orbit 1,324 satellites (1,674 in the same period of 2023), for a total transported mass of 1,033 tonnes (565 tonnes in the same period of 2023). 2024 saw the continuation of the trend of previous years, dominated by the *deployment* of SpaceX's Starlink constellation (1050 satellites put into orbit in H1 24, equal to 788 tonnes of mass, via 47 dedicated Falcon 9 launches).

The numbers for 2024, therefore, confirm the trend of expansion in the launch sector (and space in general), due largely, as evident from 2019 onwards, to the deployment of Mega-Constellations, i.e. low orbit satellite constellations, (as noted above, Space X's Starlink in particular, but also OneWeb, O3B, and other minor constellations).

From the perspective of orbits, low Earth orbit (LEO) missions (Vega's target segment) continue to increase consistently, alongside a parallel decline in geostationary transfer orbit (GTO) and geostationary orbit (GEO) missions (Ariane's target segment). In H1 24 globally, there were 96 LEO launches (with a transported mass of 857 tonnes, compared to 400 tonnes in H1 23, excluding launches to the ISS and the CSS), against 12 GTO/GEO launches (with a transported mass of 51 tonnes, 66 tonnes in H1 23). The trend set for the first time in 2020 of LEO transported mass exceeding that of GTO/GEO is therefore confirmed, with the phenomenon largely attributable to the launch of mega-constellations.

In terms of the types of satellites, it is also useful to underline that, of the 1,324 satellites put into orbit in H1 2024, 1,120 were SmallSats (i.e. with a mass <500 kg), testifying to the fact that this technology, in growth since 2013, has established itself on the applications market, in particular for Mega-Constellations broadband internet, but also for Earth observation, IoT and technology demonstrations.

Apart from the Starlink constellation (satellites manufactured, launched and operated by Space X, without the possibility of open competition), and launches of unknown origin, missions continued to be mainly institutional (35 civil government launches, 16 military launches, 29 commercial launches), proving, once again, that, for this sector, public funds continue to be of vital importance.

As for applications, these are mainly in the perimeter of telecommunications services, such as broadband internet, mobile telephony and the Internet of Things, but also in the field of earth observation and navigation.

Finally, analysis for H1 2024 of the leading countries in the sector reports 80 launches for the USA (907 tonnes), 31 for China (only 80 tonnes, indicating a very low load factor of the launchers due to the fact that the launches are exclusively governmental), eight for Russia, and zero for Europe. The latter figure reflects a difficult period for the European launcher sector, with Ariane 5 having ended its operational life, Soyuz no longer operated by Arianespace as a result of the Russia/Ukraine war, and Vega C "grounded" following the failure in December 2022.

Forecasts for this decade and the next indicate a strong growth in transported mass, with a CAGR of 9% from 2024 to 2030, and 7% from 2030 to 2040. This growth is expected to occur above all in LEO orbits (deployment and replenishment of constellations, infrastructures and space logistics), but also in escape orbits (the Moon, Mars, exploration and colonization operations), not only at institutional but also at commercial level.

Globally, it is also estimated that revenues generated by the launch segment, equal to approximately USD 13 billion in 2023, will rise to USD 19 billion in 2030 (CAGR of 5%) and USD 27 billion in 2040 (CAGR of 4%), confirming - in the face of far greater growth in mass transported to orbit - the strong pricing pressure in the launch segment.



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Launchers market

H1 2024 confirmed the global trend of recent years in which few nations had a launch service offer capable of responding not only to the steadfast institutional market, but also to the growing commercial market. As previously mentioned, these countries were the USA and China (together covering 87% of launches, and more than 95% of the mass launched), and, to a lesser extent, Russia, Europe, India, and Japan.

New launcher missions were reported in the first half of the year, all of which involved a launcher failure, confirming how almost all first spacecraft flights are failures. These launches were of:

- Vulcan Centaur, the American ULA Launcher
- Gravity-1, a Chinese Orienspace Launcher
- KAIROS, the Japanese Space One Launcher – *Failure*
- Hwasong-11D, a Chinese launcher with only partially known characteristics – *Failure*

The most used “legacy” launchers remained the Falcon 9 (66 launches), the CZ in its various versions (22 launches), and the Electron (8 launches).

Data compiled by Avio from information reported on the websites <https://space.skyrocket.de>, <https://nextspaceflight.com/> and <https://www.rocketlaunch.live/>, in addition to magazines, including SpaceNews Magazine.

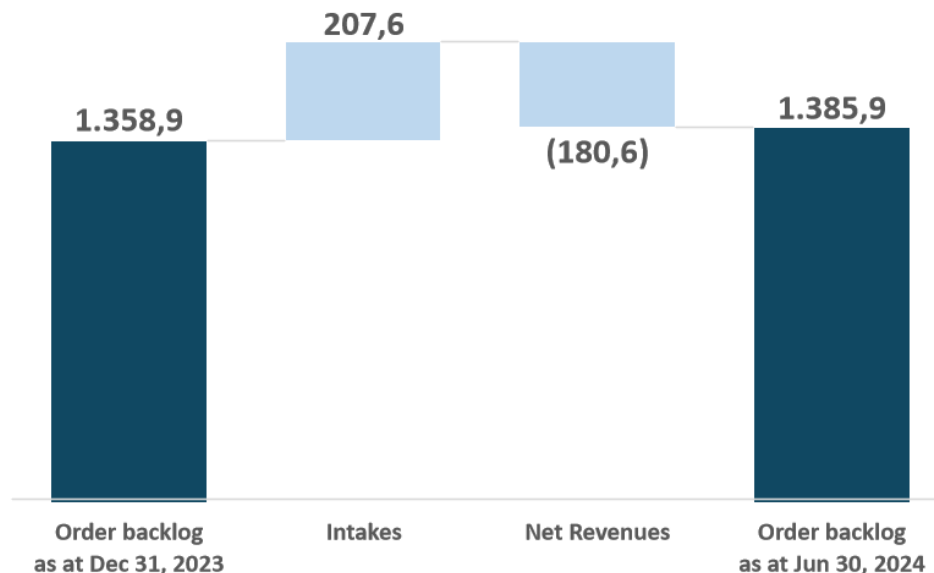
GROUP OPERATING PERFORMANCE AND FINANCIAL AND EQUITY POSITION

Backlog

The industrial sector of space programmes in which Avio operates is characterised by medium-long term projects with limited volatility, associated with an order backlog that provides solid medium-long term visibility. The Backlog at June 30, 2024 reached its highest level in the Company's history, at Euro 1,385.9 million, a net increase of Euro 27.0 million (2%) on December 31, 2023.

The order intake in H1 2024 totalled Euro 207.6 million, mainly concerning orders for production activities:

- in the defence segment, for solid propulsion systems for Aster tactical missiles; and
- in the space segment, for the purchase of the Long Lead Items required for production of the P160 engine that will power the Ariane 6 launchers (whose maiden flight was conducted successfully on July 9, 2024) and Vega C, whose return to flight will take place in Q4 2024;
- in addition to orders for further Vega E and Space Rider development activities.



(Euro millions)

With regards to the backlog at June 30, 2024, which coincides with the remaining outstanding obligations totalling Euro 1,385.9 million, it is reasonably estimated that it shall give rise to the recognition of revenues of approx. 15% of the amount in H2 2024, for approx. 30% in 2025 and 2026, with the remainder mainly in 2027 and 2028.

See also the press release on the H1 2024 results of September 11, 2024¹¹ and the presentation to analysts and investors regarding the H1 2024 results, communicated to investors and analysts on September 12, 2024.

An indication on the order intake or backlog in H1 2024 is also reported:

¹¹ Avio's website, in the "Investors" section: <https://investors.avio.com/Investors/Financial-Announcements/>;



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- in the institutional presentation for investors and analysts on the approval of the Additional Quarterly Disclosures for Q1 2024¹² and in the relative Press Release¹³ available on the company website in the “Investors” section;
- in the other presentations for investors and analysis other than those carried out for the approval of the 2023 financial statements and the Additional Quarterly Disclosures for Q1 2024, available on the company website in the “Investors” section.

Operating results

The table below summarises the comparable performance of the Group for the first half of 2024 and the first half of 2023 (in Euro thousands):

	H1 2024	H1 2023	Change
Revenues	210,606	157,721	52,885
of which: Pass-through revenues	30,000	-	30,000
Revenues, net of pass-through revenues	180,606	157,721	22,885
Other operating revenues and changes in inventory of finished products, in progress and semi-finished	3,880	8,855	(4,975)
Costs for goods and services, personnel, other operating costs, net of capitalised costs & pass-through	(174,653)	(160,604)	(14,049)
Effect valuation of investments under equity method - operating income/(charges)	(1,752)	(817)	(935)
EBITDA	8,081	5,155	2,926
Amortisation, depreciation and write-downs	(8,459)	(9,051)	592
EBIT	(378)	(3,896)	3,518
Interest and other financial income (charges)	(122)	210	(332)
Net financial income/(charges)	(122)	210	(332)
Investment income/(charges)	-	-	-
Profit/(loss) before taxes	(500)	(3,686)	3,186
Current and deferred taxes	(1,283)	(172)	(1,111)
Net Profit	(1,783)	(3,858)	2,075

The following paragraph outlines “pass-through” revenues. These revenues stem from contractual agreements between the subsidiary formerly known as ELV S.p.A. (now Spacelab S.p.A.) and the European Space Agency in August 2015 for the development and construction of the new “P120” thruster for Vega-C and Ariane 6 launches. As a result of the implementation of these agreements, the Avio Group consolidated revenues in the period include the following dual invoicing:

- an initial invoice from the parent company Avio S.p.A., as the sub-supplier, to the Europropulsion S.A. joint venture with revenues and margins not eliminated during the consolidation of the Avio Group as this joint venture is not fully consolidated;
- a second invoice up until February 28, 2018 from the subsidiary formerly known as ELV S.p.A. (now Spacelab S.p.A.) and from March 1, 2018 (following the acquisition by the parent company Avio S.p.A. of the launcher’s business unit of the subsidiary formerly known as ELV S.p.A.) directly by Avio S.p.A., as prime contractor, to the final client the European Space Agency. This concerns a simple re-invoicing of costs received by Europropulsion, without margins, not eliminated in the Avio Group consolidation process as concerning third parties and defined as “pass-through” in this report.

¹² See also the May 3, 2024 press release at the link: [https://avio-data.teleborsa.it/2024%2fCALL-Q1-2024-HIGHLIGHTS-\(ITA\)_20240503_044324.pdf](https://avio-data.teleborsa.it/2024%2fCALL-Q1-2024-HIGHLIGHTS-(ITA)_20240503_044324.pdf) and the presentation of the Q1 2024 highlights at the link: https://avio-data.teleborsa.it/2024%2f2024_05_09-Avio-Q1-2024-highlights_vDEF_20240509_112340.pdf

¹³ See also the May 8, 2024 press release at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-q1-2024/MXxjb211bmljYXRplJE3NzEwMDAwMjAyMDIOMXwxfDlwMjQwODI2>



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Revenues net of “pass-through” revenues were Euro 180,606 thousand in the first half of 2024, increasing Euro 22,885 thousand (+14.5%) on the first half of 2023. This net increase is mainly attributable to the increased defence solid propulsion production activities and the increased NextGen EU development project activities, partially offset by the reduced Vega production activities.

The above revenues breakdown by business line as follows (Euro thousands):

	H1 2024	H1 2023	Change
Vega	81,232	88,844	(7,612)
Tech development projects (NextGen EU)	33,194	19,794	13,400
Ariane	32,672	30,210	2,462
Defence Propulsion	30,532	17,417	13,115
Satellite and other assets	2,976	1,456	1,520
Revenues, net of pass-through revenues	180,606	157,721	22,885

EBITDA in the first half of 2024 was Euro 8,081 thousand, increasing Euro 56.8% on H1 2023.

EBIT was a loss of Euro 378 thousand, improving 90.3% on H1 2023.

The increase in EBITDA compared to the first half of 2023 is mainly due to the reduced non-recurring charges compared to H1 2023, principally regarding the Vega C return to flight. Similar considerations apply also for EBIT, to which we add the reduced amortisation and depreciation in the period compared to the first half of the previous year due to the revision at the end of 2023 of the useful life of some production assets in correlation with the phase-out of the Ariane 5 launcher and the phase-in of the new Ariane 6 launcher, as well as the phase-out of the Vega launcher and the phase-in of the new Vega-C launcher.

The result for H1 2024 was also shaped by the research and development tax credit of Euro 898 thousand (Euro 1,435 thousand in H1 2023), mainly relating to research and development activities, commissioned by the European Space Agency, recognised in the results for the period on the basis of the costs incurred for the Group’s long-term research and development projects to which the grant refers, as well as to the Industry 4.0 and technological innovation investments.

For a more complete representation of the Group’s earnings performance, the EBITDA and EBIT adjusted to exclude Group non-recurring and unusual components are presented below. The above adjusted amounts (in Euro thousands) and the relative margins for H1 2024 and H1 2023 are reported below:

	H1 2024	H1 2023	Change
Adjusted EBITDA	10,579	10,453	126
Adjusted EBITDA Margin (against revenues net of pass-through revs.)	5.9%	6.6%	
Adjusted EBIT	2,120	1,403	719
Adjusted EBIT Margin (against revenues net of pass-through revs.)	1.2%	0.9%	

The Adjusted EBITDA is considered by management as representative of the Group’s operating results as, in addition to not considering the effects of amortisation and depreciation policies, the amounts and types of employed capital funding and any rate changes, already excluded from EBITDA, it also excludes non-recurring and extraordinary components of Group operations, improving the comparability of the operating results.

H1 2024 Adjusted EBITDA was Euro 10,579 thousand (5.9% of net revenues), substantially in line with Euro 10,453 thousand in H1 2023 (6.6% of net revenues). This result principally relates to the positive contribution of the increased defence solid propulsion production activities, the increased NextGen EU project technology



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development activities and those for the P160 engine and the lower energy costs, offset by increased Vega C production costs and lower production activities on the P120/P160 engine.

Adjusted EBIT, also considered by management as representative of the Group's operating results, consists of EBIT excluding non-recurring or extraordinary components, already excluded for the calculation of Adjusted EBITDA.

Adjusted EBIT for H1 2024 was Euro 2,120 thousand, increasing Euro 719 thousand on Euro 1,403 thousand in H1 2023. The increase in Adjusted EBIT reflects the same underlying rationales as the dynamics of Adjusted EBITDA, in addition to the effect of lower amortisation and depreciation for the period compared to the first half of the previous year, due to the revision at the end of 2023 of the useful life of some production assets previously commented on.

The reconciliation between EBIT, Adjusted EBIT and Adjusted EBITDA for the first half of 2024 and the first half of 2023 is provided below (Euro thousands):

	H1 2024	H1 2023	Change
A EBIT	(378)	(3,896)	3,518
- exploratory activities of potential new business	2,256	1,231	1,025
- new European launcher governance	283	-	283
- Other non-recurring charges/(income)	109	1,135	(1,026)
- corporate, legal and financial consultancy	289	439	(150)
- COVID-19 costs	-	123	(123)
- settlement agreements/incentives/other personnel costs	(301)	406	(707)
- extraordinary provisions for risks associated with Vega C's return to flight, net of compensation expected from the European Space Agency, and for the future execution of programmes (mainly included in provisions for risks and charges and with a minority portion to adjust inventories).	(137)	1,964	(2,101)
B Total Non-recurring Charges/(Income)	2,499	5,299	(2,800)
C Adjusted EBIT	2,121	1,403	718
D Net amortisation & depreciation	8,459	9,051	(592)
E Adjusted EBITDA	10,579	10,454	126

Non-recurring Charges/(Income) reduced mainly due to:

- the absence of "extraordinary provisions for risks related to Vega C's return to flight, net of compensation expected from the European Space Agency, and for the future execution of programmes" accrued in H1 2023 against risks related to the implementation of the set of recommendations provided by the Independent Enquiry Commission (IEC) composed of ESA and Arianespace to ensure the safe return to flight in a short timeframe and the reliability of the Vega C launcher in the long run, the anomaly that emerged in the June 2023 static test of the Zefiro 40 engine, and for the execution risk of future programmes;
- the absence of the extraordinary costs incurred in H1 2023 for the development of the CAMM-ER under "other non-recurring charges/(income)";
- the release of the extraordinary provisions accrued in previous years for personnel to the item "settlement agreements/incentives/other personnel costs";
- partially offset by the increase in costs for exploratory activities regarding the US business.



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Financial results

H1 2024 presents net financial charges of Euro 122 thousand, compared to net financial income of Euro 210 thousand in the first half of the previous year, mainly concerning the interest income matured on the quarterly restricted deposits made in Q1 2023.

Income taxes

H1 2024 income taxes include Euro 689 thousand of IRAP (Euro 41 thousand in H1 2023). The increase is due to the completion at the end of 2023 of deductible amortisation relating to the goodwill of past corporate transactions and Euro 594 thousand of deferred taxes relating to provisions for charges (Euro 89 thousand in H1 2023).

Balance Sheet

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

	June 30, 2024	December 31, 2023	Change
Tangible assets and investment property	161,346	159,651	1,695
Right-of-use	8,425	8,513	(88)
Goodwill	62,829	62,829	-
Intangible assets with definite life	123,903	126,222	(2,319)
Investments	15,830	17,582	(1,752)
Total fixed assets	372,333	374,797	(2,464)
Net working capital	(119,103)	(163,571)	44,468
Other non-current assets	66,330	67,600	(1,269)
Other non-current liabilities	(75,016)	(75,062)	46
Net deferred tax assets	80,616	81,200	(585)
Provisions for risks and charges	(35,878)	(43,838)	7,959
Employee benefits	(9,095)	(8,916)	(180)
Net capital employed	280,186	232,210	47,976
Non-current financial assets	2,010	2,010	-
Net capital employed & Non-current financial assets	282,197	234,221	47,976
Net financial position	21,489	76,132	(54,643)
Equity	(303,685)	(310,353)	6,667
Source of funds	(282,197)	(234,221)	(47,976)

Fixed assets total Euro 372,333 thousand at June 30, 2024, a net decrease of Euro 2,464 thousand on December 31, 2023 as a combined effect of the following main movements:

- a net increase of Euro 1,695 thousand in Property, plant and equipment and Investment property, primarily due to investments, totalling Euro 4,408 thousand and mainly related to the investments in plant and machinery and to extraordinary maintenance, net of depreciation for the period;
- a net decrease of Euro 88 thousand in Rights-of-use, mainly due to the net effect of new contracts of use and the termination of previous contracts net of depreciation for the period;
- a decrease in Intangible Assets with a definite life of Euro 2,319 thousand, mainly due to:
 - investments for Euro 2,316 thousand, mainly relating to investments in design and testing and for the construction of the new engines and avionics elements;
 - decrease for amortisation in the period amounting to Euro 4,693 thousand;



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- net decrease in Equity investments for Euro 1,752 thousand, due to the effect of the equity valuation of the investments in the jointly-controlled company Europropulsion S.A. and the associated company Termica Colleferro S.p.A.

The “Other non-current assets” and “Other non-current liabilities” in the balance sheet respectively include a receivable from the General Electric Group and a related tax payable of Euro 58,220 thousand recognised in 2016, following the receipt from the Tax Agency of the settlement notice of registration tax, mortgage tax and land tax, for a total amount of Euro 58,220 thousand, relating to the corporate transactions which in 2013 resulted in the sale of the company GE Avio S.r.l. (containing the assets of the AeroEngine division of the Avio Group) to the General Electric Group. In 2020 the Tax Agency appealed the judgment of the second instance, favourable to the Company, to the Court of Cassation. The Company acted promptly, filing its counter-appeal.

The recognition of the above-mentioned receivable from the General Electric Group is based on specific contractual clauses by which this latter is required to indemnify Avio S.p.A. with reference to any liabilities which may arise in relation to indirect taxes concerning the corporate operations which in 2013 resulted in the sale of the company GE Avio S.r.l. (containing the assets of the *AeroEngine* division of the Avio Group) to the General Electric Group.

In addition, also on the basis of specific contractual provisions, the General Electric Group is required to make available to Avio S.p.A. any amounts requested by the Tax Agency by the payment deadlines.

For further details, reference should be made to paragraphs 3.9 “Other non-current assets” and 3.25 “Other non-current liabilities”, in addition to the section “Legal and tax disputes and contingent liabilities” in the Explanatory Notes.

“Net working capital” was negative deriving from an excess of liabilities over assets of Euro 119,103 thousand, with a deterioration on the previous year of Euro 44,468 thousand. The main components are outlined in the following table (in Euro thousands):

	June 30, 2024	December 31, 2023	Change
Contract work-in-progress, net of advances	(302,114)	(329,357)	27,243
Inventories	138,201	123,122	15,079
Advances to suppliers	165,920	161,305	4,615
Trade payables	(114,845)	(113,159)	(1,686)
Trade receivables	2,965	2,944	21
Other current assets and liabilities	(9,229)	(8,425)	(804)
Net working capital	(119,103)	(163,571)	44,468

The negative “Net working capital” (current trading) decreased due to the cyclical nature of advances from clients and the advancement of the production and development orders.



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The item "Other current assets and liabilities" in Net working capital is in line with the previous year. The main components are shown below (in Euro thousands):

	June 30, 2024	December 31, 2023	Change
VAT receivables	7,319	5,383	1,936
Research and development tax credits, technological innovation and industry 4.0.	7,074	6,775	299
Current tax receivables	2,714	3,866	(1,152)
Other current assets	7,546	7,037	510
Current income tax liabilities	(2,978)	(2,513)	(465)
Other current liabilities	(30,906)	(28,973)	(1,932)
Other current assets and liabilities	(9,230)	(8,425)	(805)

"VAT Receivables" increased Euro 1,936 thousand compared to the previous year, due to the VAT receivables accrued in the period of Euro 4,086 thousand, net of offsets and reimbursements for Euro 2,150 thousand.

With regards to the research and development, technological innovation and Industry 4.0 tax credits, the Avio Group recognised R&D tax credits of Euro 7,074 thousand for the period under review, attributable entirely to the parent company Avio S.p.A., and accrued over recent years.

"Provisions for risks and charges" refer mainly to provisions for legal and environmental charges, as well as provisions for the future execution of programmes established previously and provisions for charges related to the return to flight of Vega C, net of the compensation expected from the European Space Agency. The net reduction in the period resulted mainly from utilisations for charges in the period, as explained in greater detail in the Explanatory Notes, to which reference should be made.



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Analysis of the net cash position

A statement follows of the Avio Group's financial position, prepared in accordance with the ESMA Guidelines of March 4, 2021 and the subsequent attention call No. 5/21 issued by Consob in April 2021 (figures in Euro/000):

	June 30, 2024	December 31, 2023	Change
A Cash and cash equivalents	(35,773)	(95,593)	59,820
B Other liquidity	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A+B+C)	(35,773)	(95,593)	59,820
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	1,996	1,772	223
F Current portion of non-current debt	6,011	10,018	(4,008)
G Current financial debt (E+F)	8,006	11,790	(3,784)
H Net current financial debt (G-D)	(27,767)	(83,803)	56,036
I Non-current financial debt (excluding current portion and debt instruments)	6,278	7,671	(1,393)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	6,278	7,671	(1,393)
M Total financial debt (H + L)	(21,489)	(76,132)	54,643

At June 30, 2024, the Avio Group reports a net cash position of Euro 21,489 thousand (Euro 76,132 thousand at December 31, 2023), with cash and cash equivalents exceeding financial liabilities.

The net cash position, reported at item "M Total financial debt (H+L)" of the table above as per the recommendations of the regulatory authorities, decreased from a positive balance of Euro 76,132 thousand at December 31, 2023 to a positive balance of Euro 21,489 thousand at June 30, 2024, decreasing Euro 54,643 thousand, principally due to the cyclical nature of operating cash flows, in addition to capital expenditures.

The current financial debt, amounting to Euro 8,006 thousand (Euro 11,790 thousand at December 31, 2023), includes mainly:

- the financial liability related to the current portions of two EIB loans, amounting to Euro 6,011 thousand (Euro 10,018 thousand at December 31, 2023), which includes:
 - an instalment on the EIB loan of an original amount of Euro 40 million, of Euro 4 million, maturing on October 31, 2024);
 - two instalments of the total loan granted of Euro 10 million (of which Euro 1 million due on October 31, 2024 and Euro 1 million due on April 30, 2025);
 - the accrued interest amounting to Euro 11 thousand.
- current financial liabilities for leased assets of Euro 1,957 thousand (Euro 1,747 thousand at December 31, 2023).

The non-current financial debt, amounting to Euro 6,278 thousand (Euro 7,671 thousand at December 31, 2023), includes:

- non-current financial liabilities to the EIB of Euro 1,000 thousand (Euro 2,000 thousand at December



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- 31, 2023);
- non-current financial liabilities, mainly for leased assets of Euro 4,556 thousand (Euro 5,620 thousand at December 31, 2023);
 - other financial liabilities for Euro 722 thousand (Euro 51 thousand at December 31, 2023).

Statement of changes in Equity

Consolidated equity at June 30, 2024 amounts to Euro 303,685 thousand, decreasing Euro 6,668 thousand compared to December 31, 2023, as a result of the following main movements:

- distribution of a dividend of Euro 3,750 thousand on the 2023 result, in addition to an extraordinary dividend of Euro 2,250 thousand from available equity reserves;
- recognition of the consolidated half-year net loss of Euro 1,783 thousand;
- positive effect from the recognition of the stock grant reserve for Euro 1,092 thousand;
- actuarial gains of Euro 67 thousand;
- negative translation effect of Euro 4 thousand.



RESEARCH AND DEVELOPMENT

Investment in research and development is a key factor in achieving and maintaining a competitive position in the space industry.

Avio, as always, devoted considerable resources to the research, development and innovation of products and processes which further its mission. Among its objectives is also the environmentally sustainable development of its activities and products, with particular attention paid to the issues of environmental protection, facility safety and the protection of its workforce.

Regarding such key issues, Avio continues to collaborate closely with national institutions such as the Italian Space Agency (ASI), the Ministry of Education, Universities and Research (MIUR) and the Economic Development Ministry (MISE), in addition to international institutions such as the European Space Agency (ESA) and the European Union.

Avio has developed a network of partnerships with Universities and research bodies in Italy and Europe, among which the Italian Aerospace Research Center (CIRA), the Italian National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA), the Universities of Rome, the Polytechnic University of Milan, the 'Federico II' University of Naples, the University of Padua, the University of Forlì, the Sardinian AeroSpace District (DASS) and the Polymeric and Composite Materials and Structures Engineering cluster of Campania (the CRdC). Avio also forms part of various consortia between European research institutes and industrial partners to support research in the field of energetic materials.

The Group has maintained its participation in research projects with various national and international organizations active in aerospace research. In particular, it continues to collaborate with universities involved in researching advanced solid propellants, composite materials, solid rocket motor (SRM) propulsion systems, cryogenic propulsion, hybrid propulsion and with major global manufacturers and research institutes developing propulsion technologies and innovative modules and components that can benefit from the synergy of individual specific competencies.

Research and development costs incurred by the Avio Group in H1 2024 amounted to Euro 67.0 million (Euro 59.6 million in H1 2023), equating to 37.8% of gross consolidated revenues for H1 2024 (37.8% in H1 2023).

The cost of self-financed activities in H1 2024 amounted to Euro 2.1 million (Euro 5.1 million in H1 2023) and include Euro 0.7 million in development costs capitalised as intangible assets with definite life (Euro 3.7 million in H1 2023) and Euro 1.3 million in research costs or costs for the development of projects not meeting the requirements for capitalisation, which were directly recognised to the income statement (Euro 1.3 million in H1 2023).

Total self-financed activity costs charged to the income statement for H1 2024 amounted to Euro 3.1 million (Euro 2.9 million in H1 2023), including Euro 1.3 million for costs not directly capitalisable and expensed (Euro 1.3 million in H1 2023) and Euro 1.7 million for the amortisation of development costs capitalised (mainly) over previous years (Euro 1.6 million in H1 2023).

In H1 2024, Avio continued innovation activities for its main product lines through basic research, applied research and pre-competitive development.

Solid Propulsion

In Avio's strategic vision, solid propulsion continues to represent a technology that significantly cuts the cost of launch services and maintains the competitiveness of the European space carrier supply chain on the international stage.

Following the success of Vega C's maiden flight in July 2022, and second flight in December 2022, in 2023 and in the first months of 2024, Avio continued and then finalised improvements to the design and production processes of the second stage solid-fuel propulsion engines, making it possible to bench-test an updated version of the Z40 engine at the testing range in Sardinia in May 2024. The new test gave positive results for Vega C's return to flight in the fourth quarter of 2024.

In H1 2024, in continuity with previous years, research and development continued on new energetic materials, with a particular focus on the formulation and production of high-performance yet reduced environmental



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impact solid propellants that can be used in future engines of the class already qualified for the Ariane and Vega launchers, and in defence system applications.

Furthermore, regarding the development of advanced components and structures, Avio assessed possible spin-offs in the production of high-performance composite materials (for casings and the thermal protection of solid-fuel engines) to other sectors (e.g. aeronautical, naval, automotive).

Liquid Propulsion

Avio considers cryogenic propulsion based on liquid oxygen and methane as the answer to future generations of late stages for launch vehicles, as well as for exploration spacecraft.

In H1 2024, work continued on the design and testing of the cryogenic propulsion LPM system aimed at managing the propellant needed to fuel the M10 engine. Following the ongoing development and qualification phase, this will provide the necessary performance to ensure stage 3 propulsion for the forthcoming VEGA E.

After completing the Preliminary Design Review of the engine system and successfully closing the PDR's of the main subsystems, including those on the valves, the combustion chamber and the oxygen turbo pump, the first 2 full-scale prototypes of the M10 engine's LOX/CH₄ combustion chamber were built entirely in ALM, and successfully subjected to mechanical pressure and cold fluid dynamics testing at the Avio Colleferro facility. The second prototype was then assembled with the rest of the equipment - including valves, tubing, sensors and harness - and configured for the firing test. The first fire test campaign was successfully concluded at the end of February 2020 at NASA's Marshall Space Flight Center. This was the first test campaign for a prototype for an innovative 100KN combustion chamber with cooling channel, manufactured in ALM by implementing the Avio "Single Material Single Part" patent.

The results confirmed that additive technology and a single, metallic, low thermal diffusivity material (such as Inconel) can be used to build a full-scale thrust chamber with adequate heat exchange for the M10. This marks an important step forward for the development and qualification of the LOX-CH₄ engine for the upper stage of the Vega E.

The first development model of the entire M10 engine, denominated DM1, was fully integrated during the second half of 2021, together with the turbomachinery components to support the cryogenic fuel regeneration cycle. During the first half of 2022 the test campaign was undertaken at Avio's innovative Space Propulsion Test Facility (SPTF), inaugurated in October 2021 on the Salto di Quirra military firing range in Sardinia. The integration of the second M10 demonstrator, the DM2, was finalised in the first half of 2023, successfully concluding the test campaign in August 2023. In parallel, the design was finalised and construction began on the third M10 engine demonstrator, the DM3, whose test campaign is scheduled in the second half of 2024.

The Vega E launcher, whose first flight is scheduled for 2027, thanks to the introduction of the innovative, high-performance M10 engine, will be able to carry a payload of approximately three tons into orbit, that is, double the maximum payload mass of the current version of Vega, and significantly more than the next version of Vega C. Furthermore, thanks to the manoeuvrability features of the M10 engine, with re-ignition and active thrust control capabilities, the Vega E launcher will be able to release many satellites in different orbits during the same mission and at very competitive cost.

Within the scope of space activities financed under the National Recovery and Resilience Plan, development continued in H1 2024 on the first full-scale (mainly technological) models:

- of a new generation of large composite LOx and LCH₄ cryotanks, which will be integrated into future versions of the Vega E's upper stage, to obtain a further increase in the maximum payload;
- of the MPGE "Multi-Purpose Green Engine", a "green" liquid-propellant engine that will be used in reusable systems such as Space Rider and as principal engine of the propulsion system of the orbital stage of Vega-class launchers;
- of the thrust chamber for the cryogenic High-Thrust Engine (HTE), boasting over 60 tons of thrust, and designed to be part of the future M60 thruster (LOX/CH₄). Just as the M10, the M60 will be made entirely by additive layer manufacturing (ALM) to an innovative thermodynamic design that maximizes its specific impulse.

Space Transport Systems

H1 2024 saw the continued development and integration of the Space Rider propulsion system. Space Rider is a reusable, uncrewed orbital lifting body, capable of returning to Earth to be reused for a subsequent mission,



and offering space laboratory services for various kinds of payloads. Avio was commissioned to develop Space Rider by ESA in collaboration with the co-prime contractor Thales Alenia. In particular, the integration of Space Rider with the Vega C modules will create a large and flexible system of services, under the name of Vega Space Systems. Currently, the first operational Space Rider mission, to be carried by the Vega C launcher, is scheduled for 2027.

The development of the HERA propulsion system continued, with the completion of the DRB (Delivery Review Board). HERA is a planetary defence project funded by ESA, involving a consortium of European companies led by OHB System AG. The ESA's Hera mission is currently scheduled for launch in the second half of 2024 and will be carried out in synergy with NASA's Double Asteroid Redirect Test (DART). Hera and DART will have the goal of exploration and the altering of the trajectory of a binary system of asteroids (a pair of near-Earth asteroids known as Didymos), which will be reached by the Hera spacecraft in 2026.

Furthermore, in the scope of research and development activities financed under the National Recovery and Resilience Plan, development continued in H1 2024 of the following systems:

- In Flight Demonstrator (IFD), for the development and testing of a LOX/CH₄ propulsion demonstrator for a small single-stage-to-orbit launcher and a two-stage-to-orbit launcher, based on use of the M10 LOX/LCH₄ thruster;
- In Orbit Service (IOS), in collaboration with TASI, Leonardo, Telespazio and D-Orbit, with the goal of a national demonstration mission using two satellites, a servicer satellite providing services to a target satellite.

Tactical Propulsion

By H1 2024, the qualification activities of the CAMM-ER engine had already been completed. The obsolescence programme continued, and activities were launched for the production contract with the Italian Ministry of Defence. Additionally, discussions were held with MBDA with a view to acquiring the NAREW contract, and the conceptualisation phase for the CAMM-MR programme was completed.

Regarding the Aster programme, production continued on the Italian, French, UK Greek and Singapore Ministry of Defence orders, and, on request and financing from MBDA, activities continued to ramp-up booster production rates.

Under the Teseo MK2/E programme, development activities continued on the axial booster that will be used on a long-range anti-ship and dual role missile. In particular, June 2024 saw the successful completion of a DM3 drop test of the Teseo solid-fuel rocket engine and the first DM1 bench test.

The negotiation phase has concluded for participation in a consortium allowing Avio to collaborate on the design and production of an hyper-sonic missile which will expand its defence offerings. At the same time, in addition, Avio continues discussions with MBDA participation in the development program of two more engines for medium and long-range anti-ship missiles and a short-range shoulder-mounted one.

Under the PNRM (National Military Research Plan), during the first half of 2024, Avio commenced a collaboration with the School of Aerospace Engineering and MBDA-I to develop a ramjet engine demonstrator.

HUMAN RESOURCES

At June 30, 2024, Avio Group employees numbered 1,322, increasing on 1,216 at June 30, 2023. The number of employees does not include those of the company Europropulsion S.A., consolidated at equity. The majority of the workforce is employed by the parent company, Avio S.p.A., which at the same date numbered 1,169 (1,061 at June 30, 2023).

In H1 2024, various organisational changes were made:

- within the Commercial department, a new organisational unit was created under the name *Commercial Operations*, tasked with the optimisation and management of processes for the preparation of documents, contracts, reporting, offers and any other standard or non-standard documentation necessary for managing relations with customers;
- within the Programmes department:
 - a new Defence Programmes organisational unit was created to manage all the defence sector programmes. This unit enjoys dedicated support from figures such as Project Controllers, in addition to the usual Project and Programme Managers.
 - After a planned and successfully completed ramp-up period, the Programmes department acquired, from the Continuous Improvement department, the Planning organisational unit, in which high-level Planners transversally manage development and production planning, in cooperation with the Planners of individual specific departments.
 - For the Development Programmes area, several new Project and Programme Manager roles were created to manage in detail the various programmes, including those relating to National Recovery and Resilience Plan.
 - The Vega-E Programmes organisational unit was separated from the Development Programmes unit, and, reporting directly to department management, gained its own organisational structure dedicated to the new Vega-E launcher and all-round monitoring of all the activities with greater oversight.
- In the Engineering department:
 - with a view to continuing to separate development and production activities, the Avionics Subsystems Engineering unit was split into two organisational areas: the Avionics Design Launcher Technical Authority, allocated to the CPO - Product Technical Authority team, and Avionics Subsystem Development, allocated to the CPO - Technical Development Authority team.
 - With the same logic and organisational motives, the Launcher Mechanical Components Production and Mechanical Subsystems Development organisational units, previously allocated to the Solid Production Engineering area, were reallocated to the CPO - Product Technical Authority and CPO - Technical Development Authority areas.
 - Engineering, in H1 2024, saw important investments and consolidation in the Reliability and Safety Engineering and CaDM & Programme Security organisational areas, with the creation of 3 new organisational units in Reliability and Safety and 5 separate units in CaDM & Programme Security. These areas, already largely covered, are now at the stage of consolidation.
- Quality Management, while maintaining functional links, is passing from the Supplier Quality area to the Supply Chain department.
- The Supply Chain, Industrial Operations, ICT and Continuous Improvement departments are now passing under the management of the Chief Operating Officer, to be reorganised and optimised under the following new organisational areas:
 - Information and Communications Technology;
 - Production, Integration & Testing, in turn divided into:
 - Avio Guyane;
 - Production;
 - Integration;
 - Test;
 - Controlling Industrial Operations & Energy Management;
 - EHS and Infrastructure;
 - Production Systems and Plants;
 - Process and Materials Engineering;
 - World Class Manufacturing;
 Supply Chain management will be enriched by roles that previously fell under different departments: Procurement, Subcontract Management, Logistics, Warehousing and Materials



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Planning, and Supplier Quality. As part of this ambitious reorganisation, the Supply Chain has also been equipped with new professional figures called Supply Chain Programme Managers. They are responsible for the all-round management of the project portion of programmes concerning the handling, management and storage of goods, in addition to suppliers and purchasing.

At the same time, updated organisational arrangements for SE.CO.SV.IM, SPACELAB, Avio Guyana and Temis were released.

Alongside the aforementioned reorganisations, the company also simultaneously revised the powers of attorney and proxies to enable oversight of occupational safety, the management of explosives licences, the commissioning of construction work, facility management in accordance with Seveso regulations and the import/export of defence and/or dual-use material.

Industrial Relations

Meetings with the RSU continued in H1 2024 in order to involve and inform trade union representatives regarding the Company's development and the initiatives it had introduced, such as the one related to corporate welfare.

The following were signed with the workers' representatives:

- an agreement for a training plan for Fondimpresa funds;
- a new agreement on the Production Premium (PDP) for 2024 (payment 2025). The parameters for the Quality indicator were changed and the weightings of the 3 indicators (Economic/Industrial/Quality) were revised;
- minutes for the meeting regarding PDP results for 2023 (disbursement July 2024). The minutes also regulated the conversion of the bonus into Welfare, including the definition of Welfare;
- a new agreement on Remote Working, which is now a permanent tool;
- minutes for the meeting regarding expense payments in Guyana.
- the first supplementary company agreement for the three-year period 2024/2026, with various measures on sustainability;
- extension of smart working.

In H2, negotiations are scheduled to begin on the platform proposed by the RSU for a supplementary company contract.

Worker labour situation:

the following was undertaken during the first half of the year:

- 9 new temporary workers were hired on fixed-term contracts;
- 3 employees were hired on a fixed-term contract at Avio;
- 4 Transfers from temporary to permanent.
- Between January and the end of June, 27 administration contracts were extended, including:
 - Staff Leasing agreements for 22 blue-collar workers;
 - contract extensions to December 24, 2024 for five blue-collar workers stabilised from the temporary agency.

Forecasts for the future:

- further temporary recruitment is expected between July and December 2024.

Management of protected categories

Exemption was requested and obtained for 37 staff.

Talent Acquisition

In H1 2024, in line with last year's trend to continue to cope with various programmes and development of new business, the Company has set out a new hiring plan to bring in 147 white-collar staff. As a result of internal transfers, departures and ongoing growth, 260 searches are currently underway. During H1 2024, 110 new staff



were hired. Of the 110 hires, 89% came through external channels and 11% from stabilisation of consultants or staff leasing employees. There are still 88 positions to be filled, due in part to departures in early 2024, budget increases and internal transfers.

Talent Development

Avio's growth in recent years, the increasing complexity of its target business and market – which is increasingly global and populated by competitive new players – requires the Group to develop not just its technical skills, but also its approach to talent development.

With this in mind, from 2024 we are introducing a new career path at Avio, known as the “specialised path”. This can also be thought of as a “dual career ladder” and is an alternative path to management. It is a tailor-made pathway for workers who have strong technical skills in their area of expertise and who hold significant positions within Avio both in terms of impact and responsibility.

It is a pathway in which responsibility and delegation are technical and decisions and their impact are key in design, project, process and procedure choices, taking clear precedence over management, personnel or budget choices.

The specialist career path provides access to a position that is in many ways equivalent to management, with less responsibility and management delegation and greater and more prominent technical leadership. To support the organisation, and in line with the assignment of tasks and responsibilities in relation to the various corporate programmes, the company has again implemented a Merit and Development Plan for 2024. In the first half of the year, 120 actions were undertaken: 98 regarding Development.

Again this year, the Company implemented a system of variable bonuses, tied to Avio Group targets for 2024, for Executives-Managers and Professionals (543 people, or 41% of the total workforce). The process of assigning goals has not changed since the new introductions last year: there are now a minimum of 4 and a maximum of 5 assignable goals, with two specific goals and a fixed weighting. The “Programme Objective” remains confirmed, which is evaluated by a corporate department other than the employee's own, with a specific weighting of 30%. In terms of assessing soft skills, which are weighted at 20%, in addition to the 5 behavioural pillars, the assessment of Avio's managerial model was enhanced with a self-assessment and evaluation model for the 8 managerial skills. Determination and disbursement of the bonus will be dependent on achievement of individual and organisational performance targets.

Talent Attraction (Employer Branding)

In order to further reinforce the Avio brand as a desirable place to work in Italy, a series of Employer Branding (also known as Talent Attraction) activities have been introduced within the HR Talent department since last year.

Avio's Employer Branding activities were either “online” or “offline”. In H1, employer branding digital content was organised on Avio's social media channels and corporate intranet. Specifically, two internal staff featured in a video that sought to attract and arouse the interest of both experienced and inexperienced candidates, thereby increasing the number of applications on the Avio database and filling existing vacancies. We also involved our staff by offering them the opportunity to be our Employer Branding Ambassadors for various activities on social channels. These included stories, videos and mini-interviews. Offline activities involved organising various events with both internal staff from a range of company departments and external workers with varied expertise. These were not only young university students, but also experts and professionals in the sector, to increase the seniority of new hires. Offline activities also saw us begin to shift our focus to university classrooms with teaching materials that could be of interest to our business. This involved testimonials, workshops and case studies which seek to provide those skills that are useful to us. In the first half of 2024, the HR Talent team organised and participated in 13 activities:

- 5 company visits, involving not just the HR Talent Team but also 7 of our colleagues in Engineering and Industrial Operations Management; the target audience was university students and professionals in the Aerospace sector.
- 3 seminars at the Sapienza University of Rome, the University of Rome Tor Vergata and Roma Tre University, involving the faculties of engineering (particularly aerospace, mechanics, electronics and management), physics and materials science.
- 3 Career Days at Rome's Sapienza, Tor Vergata and Luiss universities.
- 1 online Career Day focused on recruiting female STEM candidates.
- 1 day organised in collaboration with Sapienza University that was entirely dedicated to Avio. The event saw a large number of students from STEM faculties experience what it is like to work at Avio through



involvement in case studies specially designed by our colleagues from RAMS, Programmes and Industrial Operations.

A plan of activities is also in place for H2 2024.

Engagement

A survey of the entire Avio population identified the need to work on organisational well-being. Company well-being translates into higher productivity.

Thus, Avio People Caring (the Well-being Agenda for Avio employees) was born in early 2024.

The agenda comprises four pillars: emotional, social, physical and financial well-being.

During the year, analysis of the results of the survey focused on physical well-being, forming a partnership with FitPrime. This is a unique platform that offers a number of useful services for psychophysical well-being.

Training

Avio considers training, education and learning to be essential and strategic tools for achieving the objectives of professional growth and employee satisfaction.

The Group is committed to offering equal opportunities in the training of all employees, with a specific focus on individual staff and their professional development through continuous training.

Starting with a training needs analysis, relevant training activities are designed and planned to enhance knowledge and skills and determine appropriate training methods to address any gaps. With regard to training (upskilling and reskilling) for Avio Group personnel, in H1 2024, 25,377 hours of training were provided, with 5,029 participations (from personnel, contractors and staff leasing). The training is undertaken through refresher courses, professional development courses, individual courses and soft skills and technical skills deployment training. These were carried out in the classroom and both synchronously and asynchronously.

Specifically, the following activities were carried out in H1 2024:

- a plan was created for the development of behavioural/organisational skills for all departments. Thanks to the participation in Fondimpresa's System Notice 2/2023 (which has no economic impact on the allocated budget) 80% of the required soft skills needs expressed by the departments for 2024 were fulfilled and an economic saving of about Euro 50 thousand was achieved. New training activities were planned to develop skills on assertive communication, leadership and time management. Of particular significance, moreover, are the Mindfulness and Work-life balance courses, introduced for the first time at Avio in support of the HR Project "Avio People Caring". These seek to equip participants with the necessary tools to reduce stress levels and improve company performance.
- A training plan dedicated to COO management was designed. The project, which is fully financed through the Conto Formazione interprofessional funds, focused both on developing technical skills to ensure the presence of personnel qualified to work on the product according to the required quality standards (e.g. through certifications and recertifications in welding/crimping and extensification), and on developing managerial skills to support organisational changes, in particular with the first edition of the "Manufacturing Training" course.
- The first Engineering Masterclass was carried out. This is a blended course designed by the HR and Engineering Department. The course's flipped classes involve face-to-face lessons with in-house teachers who work on Communication, Feedback & Delegation using teaching methods and exercises combined with courses on our Avio Academy LMS platform to consolidate and expand on the topics discussed in the classroom. For the first time, participants had access to artificial intelligence support: a conversational simulator for feedback.
- The third edition of the Mentoring programme began in 2023 with the goal of acquiring basic Mentoring knowledge: approaches, methodology, practices, skills and behaviour.
- A course programme on Recruiting Excellence was carried out by internal instructors.
- Institutional training was provided to support professional development. Specifically, this included the New Professional Pathway, a Pathway to support the new appointment to the A3 "New Management Pathway". The eighth edition of Avio's Managerial Training Programme "Building the future" saw the company focus its team-building on sustainability issues and organise a plogging session. In this experiential training activity, participants collected 58Kg of waste, of which 65% was recyclable.
- Individual Coaching sessions and Counselling was organised for the first time using in-house certified coaches and counsellors.
- Use of MOC platforms for self-study paths increased, particularly to maintain technical/scientific skills and for specific programmes (e.g. Modelling and Control of Power Electronics Specialisation, Data Analysis, Python etc).



Targeted training on manufacturing processes remains a point of focus with regard to Vega, Vega - C products and on operations at the CSG (Guyanese Space Centre). The provision of training on Awareness of Consequences of Human Error also continued, with the aim of promoting a more process-conscious corporate culture.

Additional areas of focus in the period were as follows:

- Training and updating specific and compulsory technical skills in the field of safety (e.g. forklift truck, overhead travelling crane, lifting platform, safety officer, etc.);
- Training on specific software (e.g. introduction of TwinCAT 3 software; new FANUC Arm machinery; Enovia; DOORS)
- Training on sensitive and special manufacturing processes (e.g. PT Process Level 2, 1 edition on the Sensitive Raw Materials and Composite Propellant Mixture Process, 1 edition on the Baseplate Bonding Process, 3 editions on the SPCGEN10074 Iss.2 Process)
- Get on board day: onboarding training for new hires to make visits to Avio's factory and old plant more interactive and engaging.
- support for internationalisation with a focus on individual and group language training (French language courses, English language courses);
- Quality Management System training;
- cyber security training;
- training on Legislative Decree No. 231/01;
- Non-Financial Disclosure training: How to understand and manage change in companies, measure ESG impacts, and transform business processes towards greater sustainability and Privacy.

Distance learning training, both synchronous and asynchronous, had a positive impact on the total number of hours and participations, involving the entire company population. Using certified in-house trainers, safety and management training and information was provided. The eLearning Academy on the e-learning platform involved the provision of 60 multilingual courses on soft, managerial, and methodology-based topics. In addition, courses were provided to help the Quality Division deliver content on the internal Quality Management System. The Digital Library is still live and used to share course documents. The e-learning platform was a key tool also to provide training on safety issues and Seveso quarterly reports; in the regulatory area, to provide training on Legislative Decree No. 231; waste-management training; training on the administrative protection of state secrets and other confidential information; and multimedia training for the on-boarding of new hires. Regarding training methods, the culture of agile learning continued, by which the organisation learns through the active involvement of managers in the design of training activities for both direct groups and cross-departmental groups, therefore supporting increased integration among the company population.

The Educational Campaign promoted by Avio since 2022 continues, with the patronage of the Municipality of Colferro, and participation again in the AEROSPACE JOB TALK in collaboration with ASI and Adecco, so as to bring young people closer to the STEM subjects, and with in-house teaching at ITS Mechatronic.

Organisation and management of personnel

Since April, in cooperation with Stellantis & You Roma, Avio has set up a weekly counter with a sales consultant for Group employees, every Wednesday, during which it will be possible to request information on active employee discount promotions for the purchase or rental (12 months) of Stellantis brand vehicles, process purchase/rental quotes and conclude contracts.

The INAZ-Timeswapp welfare platform was launched in May, which can be used for reimbursement requests and for the purchase of services by employees who have chosen to convert the Participation Bonus into Welfare.

Employee Welfare take-up was 306 out of a total of 1,082, or 28.28%, compared to 218 out of 1,024 last year (21.28%).

In May and June, employees were provided with an online tax-filing platform with which employees could file their 730/24 substitute-tax forms for the 2023 fiscal year.

In the first half of 2024, the cover provided under the occupational and non-occupational accident insurance policy was increased for all white-collar and blue-collar employees until they reach the age of 65.



COMMUNICATION AND SOCIAL RESPONSIBILITY

Avio promotes its image and its products through participation at major international events and a constant presence at Italian and international aerospace conferences regarding the research and development of new technologies in the specific field of space propulsion and launchers.

In addition, the Company develops its own network of scientific exchange and new product development through research collaborations with Italian and international universities and research institutes and through technical and operational collaborations with major European space agencies, in particular the Italian Space Agency (ASI), the French National Centre for Space Studies (CNES) and the European Space Agency (ESA).

All activities in which Avio plays a leading role are also publicised through social media, which boosts brand awareness and brand reputation both domestically and internationally. Thanks to a targeted cross-posting campaign between the various platforms, we generated increased traffic to the company website.

Events and shows

The main events in the year include:

- January 29 - Colleferro (Francesco Depasquale Auditorium), Avio presented AMOI - Advanced Materials Open Infrastructure - an important investment project for the creation of a new research infrastructure, entirely dedicated to Key Enabling Technologies, advanced materials, which will be built in the Colleferro area. The event was attended by CEO Giulio Ranzo, Lazio Region President Antonio Aurigemma, Senator Filippo Sensi, advisor to the Deputy Prime Minister Tajani Antonio Corsi, ASI President Teodoro Valente, the mayor of Colleferro Pierluigi Sanna, and Colleferro MP Giorgio Salvitti.
- February 6-8 - Silicon Valley (CA), participation in Smallsat Symposium 2024 - The event, which was attended by over 80 exhibitors, was an outstanding opportunity for the entire space community to learn about the evolution of Smallsats. The event was attended by Maurizio Cutroni - Chief Commercial Officer, Francesco De Lorenzo - Head of Communications & External Relations, and Leonardo Marigliani - Strategy, Market Intelligence and Innovation Manager.
- February 7 - Avio joins the Business Anti-Corruption Committee (BIAC). The BIAC is the officially recognised institutional representative for businesses, voicing the opinions of over 300 multinational companies and business associations worldwide. The news was communicated through the internal and external channels.
- February 8 - Colleferro, US Ambassador Jack Markell visits Avio headquarters. The meeting discussed current scenarios and new opportunities in the space industry.
- February 13 - anniversary of the first Vega launch - celebration on social media of the European light launcher that made aerospace history on February 13, 2012.
- February 13 - Milan Polytechnic, participation in the conference organised by Osservatori Digital Innovation entitled "Italian Space Economy" at the crossroads: in addition to technological leadership, a real ecosystem is needed'. Marco Biagioni, Programs Director, spoke on Avio's commitment to ensuring greater autonomy for Italy in accessing space thanks to the VEGA programme.
- February 20 - European University of Rome, Avio will attend with a stand at the third edition of FlyFuture2024, an event dedicated to future aviation and space professionals.
- March 14 - "2023 Results" press release. Dissemination on social media, the intranet and uploading to the website.
- March 29 - "Publication of the integrated annual report 2023 and the Shareholders' Meeting documents of April 23, 2024" press release. Uploading to the website.
- April 23 - Rome, third edition of "Aerospace Job Talks" organised by the Italian Space Agency with Adecco. For the last meeting, "AVIO JOB TALKS" was organised, at which Stefano Bottaro, Human Resources Director, spoke. This initiative seeks to actively involve students in the final year of school with the objective of introducing them to the dynamics of the aerospace sector. The event was communicated through internal and external media and all graphic materials were provided.
- April 23 - "Shareholders' Meeting of Avio S.p.A." press release. Dissemination on social media, the intranet and uploading to the website.
- April 30 - "Vega C will launch the smile mission for ESA and CAS" press release. Dissemination to the press, publication on social media and the intranet and uploading to the website.
- May 6 - Scardecchia Ettore - Head of Engineering, interviewed for the programme "Countdown - Dallo Spazio alla Terra (From Space to Earth)", the new Sky Tg24 series hosted by Emilio Cozzi, journalist and science populariser.

- May 7 - Padua, Avio takes centre stage at "Galileo - Festival of Science and Innovation" with a booth and customised gadgets. The festival is an opportunity to build synergies between companies, institutions, universities and research and innovation centres. Marco Biagioni, Programs Director, spoke on the imminent return to flight of Vega C and the state of development of the new oxygen and methane engines.
- May 16 - Colleferro, visit of the European Union Country Ambassadors to Avio headquarters. During the visit, organised by the Embassy of Belgium, which held the rotating presidency of the European Union, the Chief Executive Officer Giulio Ranzo gave an overview of the satellite launch industry, with a focus on European cooperation and future prospects on the development of next-generation launch vehicles.
- May 17 - CEO Giulio Ranzo interviewed for the programme 'Countdown - Dallo Spazio alla Terra (From Space to Earth)', the new Sky Tg24 series hosted by Emilio Cozzi, addresses the issue of sustainability in the aerospace sector.
- May 21 - Avio recognised in the list of the 240 most sustainable and transparent Italian companies in the ranking of Statista and Il Sole 24 Ore. The recognition gained in the area of sustainability was communicated on both the internal and external channels.
- May 24 - Venice, Avio played a leading role at the "Space Meetings". The event, an international benchmark for the aerospace sector, saw the presence of Avio with a stand and the participation of CEO Giulio Ranzo, who spoke about future prospects and the company's commitment to sustainability.
- May 28 - the bench test of the Zefiro 40 was completed successfully and on schedule. For the social post, drone shots were taken and the photographs were used for internal publications. The news of the success of the test was then announced in a press release.
- May 30 - Rome, Chamber of Deputies, Letizia Macri, Legal Business and Sustainability Director, speaks at the conference organised in the historic "Sala della Regina" at the "Palazzo Montecitorio". Her speech focused on the need for integration between the strategic plan and the sustainability plan. The video of the event was edited and then published on the social channels.
- May 31 - Colleferro, HR management organises a team building for the environment. During the activity, photographs were taken, then post-produced with the added creativity of the "Avio Sustainability" logo and published on the main social media and intranet.
- June 12 - Giorgio Martellino, General Counsel & Compliance Officer at Avio, takes part in the Round Table "AI and criminal law risks" as part of the Legal Community Week events. The event is filmed and published on the social media channels.
- June 19 - the P160 QM3 begins its journey to French Guiana and the Kourou spaceport. All production, testing and acceptance phases of the P160C QM3 have been successfully completed and the engine is ready for static testing in 2025. The news is announced externally through social media and internally through a news item on the intranet.
- June 23 - International Women in Engineering Day. We celebrate the event with a collage of photos of "our" engineers. The shoot was carried out in-house with the goal of giving voice to all the female generations working at Avio and emphasising the importance of overcoming the gender gap.
- June 27 - Avio qualified as having a "Conscious ESG Identity" in the Identity Corporate Index (ESG.ICI) 2024, a project that measures the degree to which ESG (Environmental, Social and Governance) factors are integrated into corporate governance and corporate identity. This achievement was celebrated through social posts and news on the website.

GROUP PRINCIPAL RISKS AND UNCERTAINTIES

Risks relating to the war in Ukraine

As reported in the 2022 Annual Financial Report and in the Half Year Report at June 30, 2023 and 2023 Annual Financial Report, the Russian-Ukrainian crisis is an ongoing diplomatic-military confrontation between Russia and Ukraine that began in February 2014. It centres on the status of Crimea, the Donbass region, and Ukraine's possible membership in NATO.

The information provided in this section - and more generally the information provided in these financial statements on the ongoing conflict in Ukraine - takes into account Consob's calls for attention dated March 18, 2022 and May 19, 2022. The latter fully referred to the recommendations provided by ESMA in the Public Statement "*Implications of Russia's invasion of Ukraine on half-yearly financial reports*" dated May 13, 2022.

As widely reported, on February 24, 2022, Russia began the invasion of Ukraine. Despite unanimous condemnation and international sanctions against Russia, the conflict between the two countries continues.

As previously reported in the prospectus of March 31, 2017 relating to the admission to trading on the STAR segment of the Italian Stock Exchange organised and managed by Borsa Italiana S.p.A., in undertaking transactions the Group mainly uses suppliers and sub-contractors for the supply of components, semi-finished products and raw materials. The Group's ability to fulfil its obligations to its clients also depends on the fulfilment of contractual obligations by its sub-contractors and suppliers.

Also as reported in the prospectus, certain Group suppliers and sub-contractors, considering the skills and know-how they have developed, in addition to the qualification processes that have certified their compliance with specific requirements, are difficult to replace or, in any event, their replacement may entail a lengthy period of time and significant costs.

In view of the Russian-Ukrainian crisis that had emerged even in February 2014, it was reported in the prospectus, in particular, that the then recent foreign policy events could affect the capabilities of suppliers operating in Russia and Ukraine.

The prospectus also stated that such possible non-fulfilment could concern a varying range of components (such as the propellant tanks and the fourth stage engines of the Vega launcher, the pressure regulators and valves) or raw materials (such as ammonium perchlorate and carbon fibres) and, should significant cases of non-fulfilment by the Group's suppliers or subcontractors occur or, for any reason, should such suppliers no longer be able to meet their obligations or should they need to be replaced by the Group, the latter, also on account of any delays that might ensue, could be held liable by its clients and, therefore, be subject to possible claims for damages. The occurrence of one or more of these circumstances could impact upon the Group's financial statements.

Due to the skills and know-how developed and the qualification processes that have certified their compliance with the specific requirements, the Group's strategic suppliers which are difficult to replace or, in any case, whose replacement could require a lengthy period of time and significant costs, still include two Ukrainian suppliers who currently supply the main engine for the fourth stage of the Vega and Vega-C launchers (the "MEA engine").

Avio had also chosen a Ukrainian supplier (ESA approved) for the production of the carbon-carbon inserts used to make the nozzles for the Z40 and Z9 engines of the Vega-C carrier, and in 2019 began an investment activity to improve its expertise in the production of carbon-carbon inserts.

As of March 2022, following the outbreak of hostilities between Russia and Ukraine, Avio had already undertaken a supply contract from a previously used European supplier and, to date, also in view of the recommendations of the Commission of Inquiry following the VV22 flight anomaly, the procurement of carbon-carbon inserts from Ukrainian suppliers has been banned by the ESA.

Currently, there is no direct procurement from Russian suppliers.

Moreover, the remaining Vega flight carried out on September 4, 2024 was not impacted as it was already equipped with the carbon carbon produced by another European supplier.

On the other hand, with regard to the main engine of the 4th stage for the Vega and Vega-C launchers, the status of supplies already in Colleferro, by virtue of advance orders placed as early as 2017, allows the continuation without discontinuity of industrial activity with respect to the VEGA and VEGA-C programmes in the short and medium term.



As a result of regular contacts with these suppliers, production of the MEA engine continues.

The situation is being monitored in order to take proactive actions to protect business continuity over the long term. In this context, the ESA recently decided to allocate specific financial resources to initiate technical and industrial actions to mitigate the long-term supply risk through the development of complementary technological solutions.

Against this backdrop, and again with the goal of strengthening business continuity in the medium to long term, as outlined in the 2023 financial report, at the end of 2023 a contract was finalised with two of the aforementioned Ukrainian suppliers of the fourth stage main engine for the Vega and Vega-C launchers. Delivery is expected in the medium term (2025-2027).

On the basis of the information currently available, it cannot however be excluded that a worsening of the Ukrainian crisis, or the continuation of the current situation, could have possible future impacts on the Group's production activities with reference to the VEGA and VEGA-C programmes.

As these assessments gradually matured, they were promptly reported in the press releases dated February 25, 2022¹⁴, March 25, 2022¹⁵, July 17, 2022¹⁶, and September 9, 2022¹⁷ and are still accurate.

Based on the above, the risks from impacts from dependence on such Ukrainian strategic suppliers are qualified as possible.

At June 30, 2024, Avio had outstanding advances to Ukrainian suppliers totalling Euro 6.5 million, of which:

- Euro 0.9 million related to the procurement of raw materials for the production of four MEA engines for Batch four of Vega C; this amount is expected to be recovered with the deliveries of the MEA engines between late 2024 and early 2025;
- Euro 1.3 million related to previous Carbon-Carbon insert supply agreements; recovery of this amount can be made only after the end of the state of war in Ukraine;
- Euro 4.3 million paid in 2023 as advances for future production of 20 additional MEAs beyond Batch 4; these advances will be recovered with deliveries between 2025 and 2027.

In this general context, it should be noted that the Batch 3 and Batch 4 contracts with the customer Arianespace includes the possibility - where necessary - to invoke a force majeure clause for the obligations assumed by Avio. At present, the application of this clause has not been invoked because, in light of the above, Avio is currently able to ensure the continuation of production activities in the short and medium term. In any case, the situation will be constantly monitored.

The Group has already taken steps - with the support of the European Space Agency - to identify possible alternative suppliers for the above products, also analysing the process and methods required for the certification of these solutions in the qualification dossier of the Vega and Vega-C launchers. Currently, carbon-carbon inserts of ArianeGroup production will be used whose supply timelines ensure the continuity of Vega-C production. Regarding the replacement of the MEA, an alternative solution has been identified with the support of the Italian Space Agency which is currently being tested (contract signed with the ASI in April 2023).

Risk Assessment Update

The risk assessment activity carried out at December 31, 2023, in accordance with the company's Enterprise Risk Management (ERM) was updated, which also included material ESG risks as well as the risk on climate change, on the new Governance of the space sector, and on risks related to activities under development in the United States. The new Enterprise Risk Management (ERM) was approved by the Board of Directors on March 8, 2024.

¹⁴ See the press release at the link: <https://www.avio.com/it/comunicati-stampa/operativita-di-vega-non-impattata-dai-recenti-eventi-in-ucraina>.

¹⁵ See the press release at the link: https://www.avio.com/sites/avio.com/files/attachments/20220323_CS%20Ukraine%20update_v_ITA_DEF.pdf.

¹⁶ See the press release at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/attivita+-vega-non-impattate-dagli-aggiornamenti-del-conflitto-in-ucraina-nel-medio-termini/MXxjb211bmJlYXRpLjE3NzEwMDAwNDUyMDIyMXwxfDlwMjQwMzlx>.

¹⁷ See the press release at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-avio-1h-2022/MXxjb211bmJlYXRpLjE3NzEwMDAwNDkxMDIyMXwxfDlwMjQwMzlx>.

Macroeconomic risks

General aspects

The economic, equity and financial position of Avio is influenced by a number of macro-economic environment factors (including GDP movements, the inflationary impacts on raw materials, the unemployment rate and interest rate movements), both in the countries in which the Group operates and at a global level, as a result of impacts upon the spending capacity of the individual countries (in particular in Europe) for the development of Space activities, through the national and European agencies.

Should this situation of significant weakness and uncertainty continue for significantly longer or worsen, particularly in the Group's market, the operations, strategies and prospects of the Group may be impacted, particularly with regards to production forecasts for future launches of Group spacecraft and for new research and development programmes, with a consequent possible impact on the Group financial statements.

In addition, as reported, the space programmes have principally been executed through the use of funding provided by the governments and the European authorities. Although the 2022 ESA Ministerial Conference had a positive response in terms of allocations for the Company together with the National Recovery and Resilience Plan (PNRR), these allocations depend on the policies adopted by governments and - in general - the economic conditions in Europe and therefore there is a risk of exposure to macroeconomic factors. The demand for launchers is therefore supported both by the public sector and the private sector.

With regard to the Israel-Hamas conflict, as there is no business activity with these counterparties and in the geographical area concerned, based on currently available information, it is not believed that significant risks may exist.

Risks related to the ongoing inflationary situation

Should the current inflationary effects on raw materials be prolonged or worsen, the Group's business, strategies and prospects could be adversely affected, which could have a negative impact on the Group's income statement, balance sheet and financial position.

Risks related to changes in energy costs.

In H1 2024, energy costs were lower than the levels experienced in the same period of 2023. In view of the volatility risk affecting energy prices, there remains in any case the risk of a potential increase in energy costs, which could have a negative impact on the Group's business, financial position, prospects and strategies.

Risks associated with COVID-19 pandemic

Following recent events and thanks to preventive and regulatory measures adopted at the international level, the macroeconomic situation currently appears less exposed to COVID-19-related risks than it was in the past; moreover, the sector in which the Company operates has always been less exposed than others to the related risks.

While the effects of the pandemic were felt intermittently in 2022 and indirectly affected Avio's internal activities, as well as at times slowing down the activities of suppliers and sub-contractors in Italy and the rest of Europe, in 2023 activities continued to normalise.

Should the effects of COVID-19 recur or worsen, impacts, including significant impacts, may be seen on the industrial, engineering and commercial activities of the entire aerospace sector.

In view of the above, the intrinsic risk associated with the potential effects that such an epidemic may entail is assessed as high (inherent risk high), while the control risk is assessed as medium, given that the internal control system introduced by the regulations in force is being continuously monitored and developed at an institutional level and the Crisis Committee set up by the Company is constantly monitoring the situation.

The COVID-19 Committee, specifically set up by Avio, regularly updated the risk assessment that was necessary in view of the COVID-19 outbreak globally.

Although the Group considers the space programme sector less volatile in consideration of the long-term nature of projects and the backlog developed, a contraction in economic growth, a recession or a financial crisis may reduce (even significantly) demand for the components produced by the Group, with consequent impacts on operations and on the financial statements of Avio and of the Group companies.



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In addition, a weak economic environment may impact the Group's access to the capital markets or the availability of favourable conditions, with consequent impacts on operations and on the financial statements of Avio and of the Group companies.

Specific business risks

The space programmes, due to their inherent complexity, strategic important and source of funding, are generally dependent on plans and decisions undertaken at government level in Europe, both by individual countries and as part of international agreements, implemented by specific national and supranational institutions and agencies. These plans seek to guarantee independent access to space by the European nations. Although the 2022 ESA Ministerial Conference had a positive response in terms of allocations for the Company together with the National Recovery and Resilience Plan (PNRR), changes to space access policies, both at a domestic and European or international level, and unfavourable economic conditions impacting the spending allocated to these policies by national governments and supranational institutions, may impact Group operational levels with possible repercussions for operations and the Group financial statements.

Group business depends in addition on a limited number of programmes and customers. Any interruptions, temporary suspensions, delays or cancellations to one or more major programmes constitutes a risk which may impact the Group's commercial and production operations and financial statements. In H1 2024, the backlog grew 2% compared to the end of 2023. However, as a potential risk of aerospace industry groups, the backlog may be subject to unexpected adjustments and therefore may not be indicative of future revenues or operating results.

The Group operates in the space sector principally through long-term contracts, often at fixed prices or with inflation-linked price reviews. Fixed price contracts present the risk that any additional costs may not be reimbursed or are only partially reabsorbed by the customer, with possible negative impacts on the Group's operations and financial statements.

In addition, for the recognition of revenues and related margins deriving from long-term works contracts, the advancement percentage method is used, based on total cost estimates for the execution of contracts and verification of the state of advancement of operations. Both these factors are by their nature subject to management estimates, which in turn depend on the objective possibility and capacity to forecast future events. The occurrence of unforeseeable events, such as the recurrence or prolongation of the COVID-19 pandemic, and foreseeable events, to a differing degree, may result in an increase in costs incurred for the execution of long-term contracts with impacts on the Group's operations and financial statements. Against this risk the company has put in place procedures, IT and reporting systems, as well as a trusted and professional workforce, with the goal of monitoring current performance and considering risk elements in estimates.

The Group is not a Launch Service Provider with regards to Vega and Vega C launch services sales. Although the Group contributes to the definition of Arianespace's Business Plan regarding the marketing of the Vega launcher and its successors, in order to determine volumes and prices that allow, in addition to recurring launch system costs, balanced budgeting for the development of the launchers, where the Launch Service Provider does not correctly execute its role or adopts commercial practices which do not align with the Group's interest, this may have an impact on the operations and financial statements of the Group.

With reference to Avio's gradual assumption of the functions of Launch Service Operator (LSO) and Launch Service Provider (LSP) of Vega C, i.e., the responsibilities of flight operations and commercialisation rights of Vega C, as well as the opening of a competition in the European launcher sector through a special competitive procedure (European Launcher Challenge) by ESA to develop and demonstrate the launch capability of new systems, the following is a commentary in the "Strategy" section of the Directors' Report on the broader decisions taken by the European Space Agency (ESA) Council held on November 6, 2023 in the presence of ministers representing the various member states¹⁸.

Among the major decisions taken by the Council, a number concerned key junctures of programmes of interest to Avio and, in particular, Ariane 6, Vega C and Vega E.

The main outcomes include:

- the coverage, through additional funding, of a portion of the additional production costs resulting largely from the significant rise in inflation that has emerged over the past 2 years in the eurozone, particularly for Ariane 6 up to Euro 340 million per year and for Vega C up to Euro 21 million per year;

¹⁸ See press release of November 7, 2023 at the link: https://www.avio.com/sites/avio.com/files/attachments/CS_ESA%20Siviglia_ITA_1.pdf



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- the expectation of a minimum number of European institutional launches, both for Ariane 6 (4 flights/year) and Vega C (3 flights/year), increased from that expected in previous years, due in part to the growth in size of the various European satellite programmes;
- the opening of a competition in the European launcher sector through a special competitive process (European Launcher Challenge) by the ESA to develop and demonstrate the launch capability of new systems (up to Euro 150 million);
- Avio's gradual assumption by mid-2024 of Vega C's Launch Service Operator (LSO) and Launch Service Provider (LSP) functions, i.e., responsibilities for Vega C's flight operations and commercialisation rights, with the expectation of an agreement to be reached between Arianespace and Avio to manage the contracts already acquired by Arianespace to put into orbit about 25 satellites over the next few years, from 2024 to 2027;
- the allocation to Vega C and Vega E, at the Kourou space centre, of an existing facility that will be dedicated to launcher pre-integration so as to increase the annual launch frequency and the related allocation to Vega E of the launch pad previously used by Ariane 5.

The process to transfer Vega C Launch Service Operator (LSO) and Launch Service Provider (LSP) functions is still underway and is being carried out in line with the ESA Board Resolution of November 6, 2023. In this regard, we note that on July 5, 2024, the ESA Council adopted a resolution on European launch services and continued European access to space that lays the foundations for the commercialisation of the Vega launcher, developed by its prime contractor, Avio, on behalf of the ESA. Arianespace and Avio have agreed that Arianespace will remain the launch service provider and operator for Vega and Vega-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025. For Vega-C launches following VV29, the customers who have already contracted with Arianespace will be offered the possibility to transfer their contracts to Avio as the new launch service provider and sole operator of Vega.

According to current governance, Group customers are responsible for declaring the compliance of products before acceptance and sale and may entirely or partially reject them where such compliance is not declared. In this case, the warranty clauses require us to replace or repair the non-compliant component, incurring the associated costs in addition to any costs necessary to understand the problem. Where the associated costs are not covered by insurance, the Group's results may be impacted. Once accepted by customers, the Group is no longer responsible for damage deriving from the malfunctioning of products, except where the pre-existence of any defects which were not evident upon acceptance is demonstrated, with the consequent further obligation to restore or repair the defective products before final use and/or launch. In addition, for any damage, whatever the cause, and including damage deriving from defects and/or the malfunctioning of products supplied by the Group, caused during the flight of the launchers, the LSP shall exclusively be responsible and, where applicable, the ESA and the French government.

The new governance that will follow the final implementation of the ESA Board's decisions in November 2023, particularly in terms of the transfer of Vega C's LSP function from Arianespace to Avio, will entail:

- on the one hand, the direct management by Avio of every aspect of the business in terms of both the commercialisation of the Vega C launcher and its future versions, and the recurring costs associated with the overall launch service;
- on the other hand, the transfer from Arianespace to Avio (as the future LSP) of the risks of the aforementioned potential damages associated with the launcher flight phase. In any event, these risks will be covered by specific insurance policies that the Group will stipulate in accordance with the regulatory framework in force at any given time, without prejudice to the principle of shared responsibilities between industry, the ESA and national governments.

The Group's industrial operations require the use and the processing of explosive or chemically hazardous materials. Although these activities are conducted in accordance with applicable rules, as per a specific Safety Management System to prevent accidents, and high-quality equipment and personnel are used, accidents may occur which result in interruptions of varying lengths and thus a negative effect on the Group's results.



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SUBSEQUENT EVENTS TO THE PERIOD-END

Business

ESA resolution for the commercialisation of the Vega launcher by Avio

By resolution on July 5, 2024, the European Space Agency (ESA) laid the foundations for the commercialisation of the Vega launcher, developed by its prime contractor, Avio, on behalf of ESA¹⁹.

ESA Member States are finalising the changes needed to the framework governing the exploitation of Agency-developed launchers to allow for Avio to become a Vega launch service provider.

Arianespace and Avio have agreed that Arianespace will remain the launch service provider and operator for Vega and Vega-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025.

Successful maiden launch of Ariane 6

On July 9, 2024, the Ariane 6 launcher successfully made its maiden flight²⁰, taking off from the French Guyana Space Centre and placing multiple payloads into orbit.

Avio contributes to the Ariane 6 programme by supplying the P120C solid-propellant boosters, and liquid-oxygen turbo pumps for the Vulcain 2.1 main stage engine and the Vinci upper stage engine. The P120C engines delivered an excellent performance. In the future, Avio will continue to supply P120C boosters that will be used in a dual configuration as for this flight, or four to carry larger loads.

Avio is already working on a more powerful version of the boosters, called the P160, which will increase the thrust of the launcher and consequently also its load capacity. This may be used, for example, to carry out missions to orbit Amazon's Kuiper satellite constellation.

Avio launches partnership with Raytheon (RTX) and the US Army

On July 23, 2024, Avio announced that it had signed a contract with Raytheon, a division of RTX (NYSE: RTX), a leader in defence solutions for the US government and its allies, to begin and advance the development of solid propellant engines for defence. The contract lays the foundation for the engineering work required to start production of these engines²¹.

Avio's planned investments in resources and production capacity help meet immediate customer demand. Avio will be able to utilise the existing capacity of its Italian production and engineering teams to support Avio USA's growth and facilitate its strategy for solid-propellant engine production. Avio USA is a subsidiary of Avio in the United States with headquarters in Arlington, Virginia.

On the same date, Avio announced that Avio S.p.A. and the U.S. Army Combat Capabilities Development Command Aviation & Missile Center are entering into a partnership to develop and prototype a solid-propellant thruster for surface-to-air applications. The project draws on the experience of both parties to qualify the propulsion system with a production-orientated design approach, offering the possibility of a transition to production in the future²².

Success for the final launch of Vega, replaced by Vega C

On September 5, 2024, Vega successfully launched the Earth observation satellite Sentinel-2C as part of the European Commission's Copernicus programme. The satellite was released into a heliosynchronous orbit at an altitude of approximately 775 kilometres. The Sentinel-2C satellite is capable of obtaining high-resolution

¹⁹ See press release of July 5, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/le-decisioni-del-consiglio-esa-pongono-le-basi-servizi-di-lancio-europei-piu>

²⁰ See press release of July 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

²¹ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-raytheon-rtx-produzione-di-motori-propellente-solido>

²² See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-lesercito-degli-stati-uniti>



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multispectral images for numerous applications, including agriculture, water quality monitoring, natural disaster management (such as fires, volcanic eruptions and floods) and methane emission detection²³. After 12 years of service, 22 launches and more than 120 satellites released into space, the Vega launcher is now retiring and its legacy will continue with its successor the Vega C launcher from the next launch before the end of 2024.

Establishment of Avio S.p.A. branch in France

On July 30, 2024, an Avio branch was set up and registered on August 29, 2024 at the Nanterre Companies Register, based in Boulogne-Billancourt. Its main scope is the commercialisation of launch services, in order to strengthen discussions and collaboration with local institutions.

OUTLOOK

In the context of the circumstances described in the "Strategy" section of the Directors' Report, in the short term, it is expected that the recommendations provided by the Independent Enquiry Commission (IEC) to ensure the safe return to flight of Vega-C will be fully implemented in Q4 2024. Against this backdrop, and as noted above, the ignition test of the Zefiro-40 solid propellant engine (the second stage of the Vega-C launcher) was successfully carried out on May 28, 2024; a second test is expected at the beginning of October, which will qualify the Zefiro-40 engine to enable Vega-C to return to flight by the end of 2024.

As a result of significant changes in Europe concerning launcher governance following the Board meeting of the European Space Agency (ESA) held on November 6, 2023, in the presence of the Ministers representing the various Member States (commented on in the 2023 Annual Financial Report) and, in this area, in consideration of the ESA's recent Resolution of July 5, 2024 (also previously commented on), the foundations were laid to gradually transfer the commercialisation of the Vega C launcher from Arianespace to Avio. This is expected to have a positive effect both of a strategic nature in terms of direct relations with final satellite customers, and in terms of the acquisition of Vega C's commercial activities.

Following Ariane 6's maiden flight on July 9, 2024, a gradual increase in series production of the P120/160 engines is expected. This will contribute to the space production activities and have a positive effect in terms of the operating levers.

Technology development activities under the Next Gen EU projects continue.

Finally, defence sector tactical propulsion activities are expected to continue to expand, also in view of the two new strategic prime partnerships agreed by Avio on July 23, 2024²⁴ with the US counterparties Raytheon and the US Army.

As reported in the press release regarding the 2024 half-year results of September 11, 2024, and in the presentation of the 2024 half-year results to be reported to investors and analysts on September 12, 2024²⁵, the main 2024 guidance operating-financial forecasts are confirmed.

In relation to the ongoing Russia-Ukraine conflict no specific medium-term impacts on Vega C operational continuity are currently expected. The procurement process for the fourth-stage Vega C engine produced in Ukraine, which has been underway for several years, has provided a "strategic" stock which guarantees Avio's deliveries for launches planned in the medium term. In addition, also in the medium-term, funds have been received and a project launched to develop an orbital motor in Italy as part of the Next Gen EU project.

²³ See press release of September 5, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

²⁴ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-raytheon-rtx-produzione-di-motori-propellente-solido>

See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-lesercito-degli-stati-uniti>

²⁵ Avio's website, in the "Investors" section: <https://investors.avio.com/Investors/Financial-Announcements/>.

*Half-Year Report at June 30, 2024*

TRANSACTIONS WITH HOLDING COMPANIES, SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND INVESTEES

Transactions of the parent Avio S.p.A. with shareholders and with subsidiaries and associates of these latter, with subsidiaries, joint ventures, associates and investees, and with subsidiaries and associates of these latter, consist of industrial, commercial and financial transactions carried out as part of ordinary operations and concluded at normal market conditions. In particular, these concern the supply of goods and services, including of an administrative-accounting, IT, personnel management, assistance and funding and treasury management nature.

OTHER INFORMATION

As per Article 40 of Legislative Decree No. 127/1991, it is disclosed that, in consideration of the share buy-back programme, at June 30, 2024, the Parent Company held 1,091,207 treasury shares, representing 4.14% of the share capital.

CORPORATE GOVERNANCE

The Company adheres to the principles of the Corporate Governance Code of the Corporate Governance Committee for Listed Companies, established by Borsa Italiana and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria, last updated in January 2020, and has adjusted its governance system to the regulatory provisions indicated therein. The Corporate Governance Code is available on the Borsa Italiana S.p.A. website at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

In accordance with the regulatory obligations, the Corporate Governance and Ownership Structure Report is drawn up annually and (i) contains a general outline of the Corporate Governance System adopted by the company and (ii) information on the ownership structure and compliance with the Corporate Governance Code, including the main Governance practices applied and the features of the internal control and risk management system, also with regards to financial disclosure.

The Company, at June 30, 2024, had adopted:

- i. the **Internal Dealing Policy**, as approved by the Board of Directors of Space2 on September 29, 2016, amended on September 13, 2017 by the Board of Directors of Avio S.p.A., with effect from the acquisition date.
- ii. a **Related Party Transactions Policy** approved by the Board of Directors of Space2 S.p.A. on January 19, 2017, with effect from the efficacy date of the merger by incorporation and latterly amended by the Board of Directors of Avio on January 26, 2024. For a reliable analysis of information on significant transactions with Related Parties, see the Explanatory Notes section "7. Related party transactions";
- iii. of the **Inside Information Processing Policy**, approved by the Company's Board of Directors on September 9, 2022 and replacing the previous version adopted on March 3, 2022;
- iv. an Organisation, Management and Control Model, as per Legislative Decree No. 231/2001, as amended, and updated on December 21, 2023, by the Company's Board of Directors to account for all legislative changes introduced by Legislative Decree No. 231/2001;
- v. an **Avio Group Code of Ethics**, approved on June 20, 2023 and amended latterly on December 21, 2021 by the Board of Directors of the Company, containing the requirements demanded by the company's stock market listing;
- vi. the **Guidelines to the Internal Control and Risk Management System of the Company**, approved on March 29, 2004 and latterly amended on June 20, 2023 by the Board of Directors of the Company;
- vii. a **Diversity Policy**, approved by the Board of Directors of the Company on March 19, 2021, in compliance with Article 123-*bis*, paragraph 2, letter d-*bis*) of the CFA, as supplemented by Article 10 of Legislative Decree No. 254/2016 and the recommendations of the Corporate Governance Code. The policy was most recently updated by the Board of Directors on March 14, 2022;
- viii. a **Shareholder Engagement Policy**, approved by the Company's Board of Directors on March 3, 2022, in accordance with Recommendation No. 3 of the Corporate Governance Code. The policy seeks to foster transparency in dealings with the financial community and the markets by building, maintaining and developing an active relationship of trust with investors;
- ix. a **Policy on qualitative and quantitative criteria for assessing the independence requirements of Directors and Statutory Auditors**, approved by the Board of Directors on March 14, 2022 and in line with Recommendation 7, first sentence, points (c) and (d), in Article 2 of the Corporate Governance Code;
- x. an **Avio Group Anti-Corruption Code**, approved by the Company's Board of Directors on March 14, 2019 in compliance with Legislative Decree No. 231/2001 and international best practices.
- xi. a **Whistleblowing Procedure**, adopted in compliance with the Whistleblowing Decree (Legislative Decree No. 24/2023). This allows reports to be sent electronically in written format and guarantees -



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including through encryption tools - the confidentiality of the identity of the whistleblower, the person involved and the person mentioned in the report, in addition to the content of the report and the related documentation.

For any further detailed information on Corporate Governance related to the Company and all Corporate Governance decisions made up to June 30, 2024, please refer to the "Corporate Governance" section of the Company's website.

* * *

September 11, 2024

The BOARD OF DIRECTORS
The Chief Executive Officer and General Manager
Giulio Ranzo



Half-Year Report at June 30, 2024

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2024

CONSOLIDATED BALANCE SHEET	Note	June 30, 2024	December 31, 2023
<i>(in Euro)</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	157,594,154	155,866,000
Right-of-use	3.2	8,424,619	8,513,118
- of which related parties		770,038	838,655
Investment property	3.3	3,751,512	3,784,642
Intangible assets with definite life	3.4	123,903,293	126,222,348
Goodwill	3.5	62,829,038	62,829,038
Investments	3.6	15,830,139	17,582,073
Non-current financial assets	3.7	2,010,172	2,010,172
- of which related parties		2,010,172	2,010,172
Deferred tax assets	3.8	80,615,548	81,200,112
Other non-current assets	3.9	66,330,342	67,599,761
Total non-current assets		521,288,817	525,607,264
Current assets			
Inventories and advances to suppliers	3.10	304,121,088	284,427,153
- of which related parties		62,281,000	66,495,501
Contract work-in-progress	3.11	143,966,546	123,472,715
- of which related parties		18,703,395	16,561,817
Trade receivables	3.12	2,964,718	2,943,798
- of which related parties		1,462,000	1,287,722
Cash and cash equivalents	3.13	35,773,076	95,593,462
Tax receivables	3.14	17,107,385	16,023,877
Other current assets	3.15	7,546,402	7,036,837
- of which related parties		46,000	31,088
Total current assets		511,479,215	529,497,842
TOTAL ASSETS		1,032,768,032	1,055,105,106

CONSOLIDATED BALANCE SHEET	Note	June 30, 2024	December 31, 2023
<i>(in Euro)</i>			
EQUITY			
Share capital	3.16	90,964,212	90,964,212
Share premium reserve	3.17	130,920,685	130,920,685
Other reserves	3.18	15,800,028	14,643,773
Retained earnings		58,046,748	57,600,667
Group net profit/(loss)		(423,679)	6,487,372
Total Group Equity		295,307,994	300,616,709
Equity attributable to non-controlling interests	3.20	8,377,292	9,736,010
TOTAL EQUITY		303,685,286	310,352,719
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	3.21	1,721,970	2,051,250
Non-current financial liabilities for leasing - of which related parties	3.22	4,556,200 627,783	5,619,845 697,780
Employee provisions	3.23	9,095,398	8,915,891
Provisions for risks and charges	3.24	20,662,001	25,435,752
Other non-current liabilities	3.25	75,016,173	75,062,281
Total non-current liabilities		111,051,743	117,085,019
Current liabilities			
Current financial liabilities - of which related parties	3.26	38,406 -	25,509 -
Current financial liabilities for leasing - of which related parties	3.27	1,957,332 125,287	1,746,805 134,937
Current portion of non-current financial payables	3.28	6,010,500	10,018,000
Provisions for risks and charges	3.24	15,216,109	18,401,797
Trade payables - of which related parties	3.29	114,845,170 16,989,000	113,159,259 5,291,293
Advances from clients for contract work-in-progress - of which related parties	3.11	446,080,439 114,618,927	452,830,019 79,136,521
Current income tax payables	3.30	2,977,547	2,512,648
Other current liabilities - of which related parties	3.31	30,905,500 67,000	28,973,331 124,617
Total current liabilities		618,031,003	627,667,368
TOTAL LIABILITIES		729,082,746	744,752,387
TOTAL LIABILITIES AND EQUITY		1,032,768,032	1,055,105,106



Half-Year Report at June 30, 2024

CONSOLIDATED INCOME STATEMENT	Note	H1 2024	H1 2023
<i>(in Euro)</i>			
Revenues	3.32	210,606,100	157,720,909
- of which related parties		56,352,796	17,331,097
Change in inventory of finished products, in progress and semi-finished		(1,381,178)	3,439,388
Other operating income	3.33	5,260,821	5,415,221
- of which related parties		200,000	197,929
Consumption of raw materials	3.34	(57,706,922)	(54,453,977)
Service costs	3.35	(94,166,385)	(61,423,069)
- of which related parties		(44,203,000)	(14,098,043)
Personnel costs	3.36	(52,650,226)	(46,931,285)
Amortisation and depreciation	3.37	(8,458,784)	(9,050,608)
Other operating costs	3.38	(1,967,181)	(2,705,875)
Effect valuation of investments under equity method - operating income/(charges)	3.39	(1,751,934)	(816,689)
Costs capitalised for internal works	3.40	1,837,838	4,910,211
EBIT		(377,852)	(3,895,774)
Financial income	3.41	279,566	896,714
- of which related parties		-	-
Financial charges	3.42	(401,468)	(686,816)
- of which related parties		(5,000)	(303,312)
NET FINANCIAL INCOME/(CHARGES)		(121,902)	209,898
Other investment income/(charges)		-	-
INVESTMENT INCOME/(CHARGES)		-	-
PROFIT/(LOSS) BEFORE TAXES		(499,754)	(3,685,876)
Income taxes	3.43	(1,282,828)	(171,989)
NET PROFIT/(LOSS) FOR THE PERIOD		(1,782,582)	(3,857,865)
-- of which: Owners of the parent		(423,679)	(3,679,628)
Non-controlling interests		(1,358,903)	(178,238)
Basic earnings/(losses) per share	3.44	(0.02)	(0.15)
Diluted earnings/(losses) per share	3.44	(0.02)	(0.14)



Half-Year Report at June 30, 2024

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	H1 2024	H1 2023
<i>(in Euro)</i>		
NET PROFIT/(LOSS) FOR THE PERIOD (A)	(1,782,582)	(3,857,865)
Other comprehensive income items:		
- Actuarial gains/(losses) - Actuarial gains/losses reserve	64,041	13,479
Gains/(losses) recorded directly to equity (which will be subsequently reclassified to P&L)		
- Gains/(losses) on cash flow hedge instruments recorded directly to interest rate cash flow hedge reserve	-	-
Tax effect on other gains/(losses)	16,632	7,495
TOTAL OTHER COMPREHENSIVE INCOME ITEMS, NET OF TAX EFFECT (B)	80,673	20,974
COMPREHENSIVE NET PROFIT/(LOSS) FOR THE PERIOD (A+B)	(1,701,909)	(3,836,891)
-- of which: Owners of the parent	(343,456)	(3,659,182)
Non-controlling interests	(1,358,453)	(177,709)



Half-Year Report at June 30, 2024

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)

	Share capital	Share premium reserve	Other reserves						Retained earnings	Group result	Total Group equity	Non-controlling interest equity	Total Equity
			Treasury shares	Unavailable reserve for treasury shares in portfolio	Legal reserve	Actuarial gains/(losses) reserve	Stock grant reserve	Translation reserve					
Equity at 31/12/2022	90,964	130,687	(13,569)	13,569	18,193	(4,029)	54	(21)	58,249	(435)	293,662	9,599	303,261
Allocation of prior year result									(435)	435	-		-
Other changes		234	234	(234)			568	(23)	(214)		564		564
Comprehensive income/(loss) for the period													
- Net profit/(loss) for the period										6,487	6,487	137	6,624
- Other changes													
- Actuarial gains/(losses), net of tax effect						(97)					(97)		(97)
Comprehensive income/(loss) for the period	-	-	-	-	-	(97)	-	-	-	6,487	6,390	137	6,527
Equity at 31/12/2023	90,964	130,921	(13,335)	13,335	18,193	(4,125)	622	(45)	57,601	6,487	300,616	9,736	310,352
Allocation of prior year result									6,487	(6,487)	-		-
Distribution of dividends of the parent company Avio S.p.A.									(6,000)		(6,000)		(6,000)
Other changes						(14)	1,092	(4)	(41)		1,033		1,033
Comprehensive income/(loss) for the period													
- Net Profit/(loss) for the period										(424)	(424)	(1,359)	(1,783)
- Other changes													
- Actuarial gains/(losses), net of tax effect						81					81		81
Comprehensive income/(loss) for the period	-	-	-	-	-	81	-	-	-	(424)	(343)	(1,359)	(1,702)
Equity at 30/06/2024	90,964	130,921	(13,335)	13,335	18,193	(4,059)	1,714	(49)	58,047	(424)	295,308	8,377	303,685

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	H1 2024	H1 2023
OPERATING ACTIVITIES		
Net Profit/(loss) for the period	(1,783)	(3,858)
Adjustments for:		
- Income taxes	1,283	172
- (Income)/expenses from measurement at equity	1,752	817
- Amortisation & Depreciation	8,459	9,051
Net change provisions for risks and charges	(7,959)	(7,001)
Net change employee provisions	246	(632)
Changes in:		
- Inventories and Advances to suppliers	(19,694)	(11,892)
- <i>of which related parties</i>	4,215	8,096
- Contract work-in-progress & advances from clients	(27,243)	56,582
- <i>of which related parties</i>	33,341	(273)
- Trade receivables	(21)	836
- <i>of which related parties</i>	(174)	70
- Trade payables	1,686	(297)
- <i>of which related parties</i>	11,698	(11,793)
- Other current & non-current assets	261	(2,475)
- <i>of which related parties</i>	(15)	(14)
- Other current & non-current liabilities	2,157	(340)
- <i>of which related parties</i>	(58)	18
Income taxes paid	-	-
Interest paid	(122)	(66)
Net liquidity generated/(employed) in operating activities	(A) (40,979)	40,896
INVESTING ACTIVITIES		
Investments in:		
- Tangible assets and investment property	(4,416)	(6,799)
- Intangible assets with definite life	(2,301)	(5,516)
Disposal price of tangible, intangible & financial assets	-	-
Liquidity generated (employed) in investing activities	(B) (6,717)	(12,315)
FINANCING ACTIVITIES		
EIB loan	(5,000)	(5,000)
Centralised treasury effect with Europropulsion S.A. joint control company	-	(27,769)
- <i>of which related parties</i>	-	(27,769)
Dividends paid by the parent Avio S.p.A.	(6,000)	-
Treasury share purchases	-	-
Other changes to financial assets and liabilities	(1,124)	(608)
- <i>of which related parties</i>	(11)	5
Liquidity generated (employed) in financing activities	(C) (12,124)	(33,377)
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(A)+(B)+(C) (59,820)	(4,796)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	95,593	131,403
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,773	126,607



Half-Year Report at June 30, 2024

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2024

1. GENERAL INFORMATION

Avio S.p.A. (the "Company" or the "Parent Company") is a limited liability company incorporated in Italy and registered at the Rome Companies Registration Office, with Registered Office at Rome, Via Leonida Bissolati, No. 76.

The Company was incorporated on May 28, 2015 under the name Space2 S.p.A., an Italian-registered Special Purpose Acquisition Company ("SPAC"), as an SIV (Special Investment Company) in accordance with the Borsa Italiana regulation, whose shares were listed on July 28, 2015 on the Professional Segment of the Investment Vehicles Market (MIV) organised and managed by Borsa Italiana S.p.A..

On March 31, 2017, Space2 S.p.A. acquired the company Avio S.p.A., parent company of the Avio Group and, on April 10, 2017 Avio S.p.A. was merged by incorporation. Space2 S.p.A. also changed its name to "Avio S.p.A." following the above-mentioned operation.

At June 30, 2024, Avio S.p.A. held, directly or indirectly, investments in seven subsidiary companies (Space S.p.A., Regulus S.A., Se.Co.Sv.Im. S.r.l., Avio Guyane S.A.S., Avio France S.A.S., Avio USA Inc. and Avio India Aviation Aerospace Private Ltd. in liquidation) and in a jointly controlled company (Europropulsion S.A.) included in the consolidation scope of these financial statements (collectively the "Group" or the "Avio Group").

These Group consolidated financial statements are presented in Euro which is the Company's principal functional currency. The Consolidated Balance Sheet, the Consolidated Income Statement and the Consolidated Comprehensive Income Statement are reported in units of Euro; the Statement of Changes in Consolidated Equity and the Consolidated Cash Flow Statement, as well as these Explanatory Notes, are reported in thousands of Euro where not otherwise indicated. The foreign subsidiaries are included in the consolidated financial statements in accordance with the accounting policies described in the notes below.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Accounting Standards for the preparation of the condensed financial statements

These condensed half-year financial statements at June 30, 2024 were prepared in accordance with International Accounting Standards (hereafter also "IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. IFRS refers to the International Financial Reporting Standards, the revised international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC").

In the preparation of these Condensed half-year financial statements, drawn up in accordance with IAS 34 - *Interim Financial Reporting*, the same accounting standards were adopted as for the preparation of the consolidated financial statements of the Avio Group at December 31, 2023, except for that outlined below in paragraph "2.7. Accounting policies". Therefore, these financial statements must be read together with the consolidated financial statements of the Avio Group at December 31, 2023.

The preparation of condensed financial statements in application of IFRS requires estimates and assumptions on the values of the assets and liabilities, on the disclosures relating to assets and contingent liabilities at the reporting date and on the revenues and costs in the period. If in the future these estimates and assumptions, which are based on the best current valuations made by management, should differ from actual circumstances, they will be modified appropriately in the period in which the circumstances change.

Some valuation processes, in particular the most complex such as the determination of any loss in value of non-current assets or the valuation of contingent liabilities, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require an immediate valuation of any loss in value or an accrual is required to the provision for risks and charges.

2.2. Financial Statements

The Condensed half-year financial statements at June 30, 2024 consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of changes in Consolidated Equity, the Consolidated Cash Flow Statement and the Explanatory Notes.

The financial statements of the Group are presented as follows:

- for the Consolidated Balance Sheet, the separate presentation of non-current and current assets and of non-current and current liabilities, generally adopted by industrial and commercial groups;
- for the Consolidated Income Statement, the classification of costs based on their nature, with separate indication of the results from discontinued operations, where applicable;
- for the Consolidated Comprehensive Income Statement, the adoption of the separate presentation ("two-statement approach") with indication of other gains/losses net of the relative tax effect;
- for the Consolidated Cash Flow Statement, the adoption of the indirect method.

2.3. Comparative information

In accordance with IAS 34, these condensed half-year financial statements at June 30, 2024 present the 2023 comparative figures for the Balance Sheet items (Consolidated Balance Sheet and Statement of Changes in Consolidated Equity) and the first half year 2023 for the Income Statement items (Consolidated Income Statement, Consolidated Comprehensive Income Statement and Consolidated Cash Flow Statement).

2.4. Consolidation Principles

The consolidation principles adopted are in line with those utilised for the preparation of the consolidated financial statements at December 31, 2023 of the Avio Group, to which reference should be made for further information.

2.5. Translation of foreign entity financial statements

The financial statements of each company consolidated are prepared in the primary currency where they operate. For the condensed half-year financial statements, the financial statements of each foreign entity which utilises a currency other than the Euro is translated into this latter, as the Group's functional currency and the consolidated financial statement presentation currency. The transactions in currencies other than the Euro are translated into the functional currency at the exchange rate at the date of the transaction and the exchange gains and losses from the subsequent closure of these transactions are recorded in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the reporting date. The positive and/or negative differences between the values adjusted to the closing exchange rate and those recorded in the period are also recognised in the income statement. Non-monetary assets valued at historical cost in currencies other than the functional currency are not translated at the current exchange rate at the reporting date.

2.6. Consolidation scope

The Condensed half-year financial statements at June 30, 2024 include the financial statements of the parent company, of the Italian and overseas companies in which it holds directly or indirectly at the same date more than 50% of the share capital, consolidated under the line-by-line method, and the financial statements of the company Europropulsion S.A., held 50% jointly with another shareholder, consolidated under the equity method.

The consolidation scope at June 30, 2024 was as follows:

Companies included in the consolidation scope at June 30, 2024			Holding
Parent			
<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>% Held</i>
Avio S.p.A.	via Leonida Bissolati, 76 - Rome	Euro 90,964,212.90	N/A
Companies consolidated by the line-by-line method			
<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>% Held</i>
Spacelab S.p.A.	via Leonida Bissolati, 76 - Rome	Euro 3,000,000.00	70%
Regulus S.A.	Centre Spatial Guyanais - BP 0073 97372 Kourou (French Guyana - France)	Euro 640,000.00	60%
SE.CO.SV.IM. S.r.l.	Via degli Esplosivi, 1 - Colleferro (RM)	Euro 53,929,691.00	100%
Avio Guyane S.A.S.	Centre Spatial Guyanais - BP 506 97388 Kourou (French Guyana - France)	Euro 50,000.00	100%
Avio France S.A.S.	3 Rue du Colonel Moll - 75017 Paris (France)	Euro 50,000.00	100%
Temis S.r.l.	Via Gaetano Donizetti, 20 - Corbetta (Milan)	Euro 100,000.00	100%
Avio USA Inc.	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of Newcastle, Delaware 19801 (USA)	6.00 (USD)	100%
Avio India Aviation Aerospace Private Limited (*)	Pitampura Delhi North West (India)	INR 16,060,000	100%
Jointly controlled companies, measured at equity			
Europropulsion S.A.	11, rue Salomon de Rothschild 92150 Suresnes 388 250 797 RCS Nanterre	Euro 1,200,000.00	50%
Associates, measured at equity			
Termica Colleferro S.p.A.	Via degli Agresti, 4 and 6 Bologna	Euro 6,100,000.00	40%

(*) The company is in liquidation. No financial commitments are expected for the Group related to the liquidation.

The non-controlling interest in the equity and results of the subsidiaries consolidated are recorded separately from the Group equity, in the account "Non-controlling interest equity".

2.7. Accounting standards and basis of preparation

IFRS standards, amendments and interpretations applied from January 1, 2024

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2024:

- On January 23, 2020, the IASB published an amendment entitled "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" and on October 31, 2022 published an amendment entitled "**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**". The purpose of the amendments is to clarify how to classify payables and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least 12 months is subject to meeting certain parameters (i.e. covenants). The adoptions of these amendments do not have any effects on the Group consolidated financial statements.
- On September 22, 2022, the IASB published an amendment entitled "**Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**". The document requires the seller-lessee to measure the lease liability arising from a sale & leaseback transaction so as not to recognise income or losses relating to the retained right of use. The adoptions of these amendments do not have any effects on the Group consolidated financial statements.
- On May 25, 2023, the IASB published an amendment entitled "**Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements**". This requires an entity to provide additional information on reverse factoring arrangements to enable users of financial statement to assess how financial arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. The adoptions of these amendments do not have any effects on the Group consolidated financial statements.

IFRS Standards, Amendments and Interpretations not yet approved by the European Union

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 30, 2024, the IASB published the document "**Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7**". This clarifies a number of problematic issues emerging from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary upon achievement of ESG objectives (i.e., green bonds). Specifically, the changes aim to:
 - clarify the classification of financial assets with variable returns and linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for the SPPI test assessment;
 - determine that the date of settlement of liabilities through electronic payment systems is the date on which the liability is settled. However, an entity is permitted to adopt an accounting policy to allow a financial liability to be derecognised before transferring liquidity on the settlement date under certain specific conditions.

With these amendments, the IASB has also introduced additional disclosure requirements with respect to investments in equity instruments designated to FVOCI in particular.

The amendments will be applicable to financial statements for periods beginning January 1, 2026. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

- On May 9, 2024, the IASB published a new standard - **IFRS 19 Subsidiaries without Public Accountability: Disclosures**. The new standard introduces some simplifications in the disclosures required by other IAS-IFRS standards. This standard can be applied by an entity that meets the following main criteria:



- it is a subsidiary company;
- it has not issued equity or debt instruments listed on a market and is not in the process of issuing them;
- it has its own parent company that prepares consolidated financial statements in accordance with IFRS.

The standard will be effective from January 1, 2027, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

- On April 9, 2024, the IASB published a new standard - **IFRS 18 Presentation and Disclosure in Financial Statements** - which will replace IAS 1 Presentation of Financial Statements. The new standard seeks to improve the presentation of key financial statement formats and introduces important changes to the income statement format. Specifically, the new standard requires that:
 - revenues and expenses are classified into three new categories (operating section, investment section, and financial section), in addition to the tax and discontinued operations categories already in the income statement;
 - two new sub-totals are presented: operating income and earnings before interest and taxes (i.e., EBIT).

The new standard also:

- requires more information on the performance indicators defined by management;
- Introduces new criteria for aggregation and disaggregation of information; and,
- introduces a number of changes to the format of the cash flow statement, including a requirement that operating income is used as the starting point for the presentation of the cash flow statement prepared using the indirect method and that certain classification options are eliminated for some existing items (such as interest paid, interest received, dividends paid and dividends received).

The standard will be effective from January 1, 2027, although advance application is permitted. The Directors are currently assessing the possible effects of introduction of this new standard on the Group's consolidated financial statements.

- On August 15, 2023, the IASB published an amendment entitled "**Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**". The document requires an entity to apply a consistent methodology in order to ascertain whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be made in the notes to the financial statements. The amendment will be applicable from January 1, 2025, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.
- On January 30, 2014, the IASB published **IFRS 14 Regulatory Deferral Accounts** which permits only those adopting IFRS for the first time to continue to recognise amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Company/Group is a first-time adopter, this standard is not applicable.

3. COMPOSITION, COMMENTS AND CHANGES IN THE PRINCIPAL BALANCE SHEET ACCOUNTS AND OTHER DISCLOSURES

NON-CURRENT ASSETS

3.1. PROPERTY, PLANT & EQUIPMENT

The values of Property, plant and equipment at June 30, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

The table illustrates the comparison between the balances in Property, plant and equipment of the Avio Group at June 30, 2024 and December 31, 2023.

	30/06/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land	14,651	-	14,651	14,651	-	14,651
Buildings	84,397	(25,662)	58,734	83,593	(24,752)	58,840
Plant & machinery	93,713	(69,299)	24,414	93,237	(68,408)	24,829
Industrial & commercial equipment	19,627	(18,278)	1,349	19,570	(18,119)	1,451
Other assets	16,983	(12,115)	4,868	16,608	(11,401)	5,206
Assets in progress and advances	53,579	-	53,579	50,889	-	50,889
Total	282,949	(125,355)	157,594	278,547	(122,681)	155,866

The changes between December 31, 2023 and June 30, 2024 in the gross values of property, plant and equipment are illustrated in the table below (Euro thousands):

Gross values	31/12/2023	Increases	Decreases for disposals	Reclassifications and other changes	30/06/2024
Land	14,651	-	-	-	14,651
Buildings	83,593	804	-	-	84,397
Plant & machinery	93,237	476	-	-	93,713
Industrial & commercial equipment	19,570	67	(10)	-	19,627
Other assets	16,608	369	-	6	16,983
Assets in progress and advances	50,889	2,696	-	(6)	53,579
Total	278,547	4,412	(10)	-	282,949

The increases in the period of Euro 4,412 thousand concern:

- assets in progress and advances for Euro 2,696 thousand. These investments mainly concerned the works to construct the infrastructure for the Next-Gen EU projects for Euro 1,934 thousand, and maintenance expenses and for other assets for Euro 590 thousand;
- plant and production machinery amounting to Euro 476 thousand, mainly to achieve increased flight cadence;
- Other assets amounting to Euro 369 thousand, mainly relating to IT equipment and furnishings related to the Group's administrative site;
- equipment amounting to Euro 67 thousand, mainly relating to production control instruments;
- buildings amounting to Euro 804 thousand, mainly relating to extraordinary maintenance and restructuring.

Between December 31, 2023 and June 30, 2024, the changes to accumulated depreciation were as follows (in Euro thousands):

Gross values	31/12/2023	Increases	Decreases for disposals	Reclassifications and other changes	30/06/2024
Buildings	(24,752)	(910)	-	-	(25,662)
Plant & machinery	(68,408)	(891)	-	-	(69,299)
Industrial & commercial equipment	(18,119)	(169)	10	-	(18,278)
Other assets	(11,401)	(714)	-	-	(12,115)
Total	(122,681)	(2,685)	10	-	(125,355)

The depreciation was calculated in relation to the estimated useful life and the obsolescence incurred by these assets.

3.2. RIGHT-OF-USE

The values of Right-of-use at June 30, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	30/06/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land right-of-use	2,570	(642)	1,928	2,570	(571)	1,999
Buildings right-of-use	6,337	(2,967)	3,370	7,109	(3,188)	3,921
Plant and machinery right-of-use	1,690	(876)	814	1,690	(793)	897
Other assets right-of-use	4,940	(2,629)	2,312	3,996	(2,300)	1,696
Total	15,537	(7,114)	8,424	15,365	(6,852)	8,513

The gross values of these rights at June 30, 2024 (in Euro thousands) are reported below:

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	30/06/2024
Land right-of-use	2,570	-	-	-	2,570
Buildings right-of-use	7,109	149	(921)	-	6,337
Plant and machinery right-of-use	1,690	-	-	-	1,690
Other assets right-of-use	3,996	1,166	(222)	-	4,940
Total	15,365	1,315	(1,143)	-	15,537

The Right-of-use assets recognised in applying IFRS 16 mainly relate to the present values of the future payments under the following contracts:

- concession of an area located within the Salto di Quirra Inter-force Experimental Facility;
- lease of the electro-duct and relative electrical infrastructure at the combined cycle co-generation thermo-electrical station owned by the associate Termica Colleferro S.p.A.;
- leasing of office and industrial use land and buildings at Corbetta (Lombardy), Airola (Campania) and Villaputzu (Sardinia); leasing of apartments for employees in French Guiana; hiring of company cars.

The increases in the year of Euro 1,315 thousand mainly concern the new company use vehicle lease contracts and the new apartment lease contracts/renewals for the employees in Guyana, where the spaceport is located. The decreases of Euro 1,143 thousand concerned the accounts outlined above and were due to the conclusion of the lease contracts.

The accumulated depreciation of these rights in the first half of 2024 is reported below (in Euro thousands):

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	30/06/2024
Land right-of-use	(571)	(71)	-	-	(642)
Buildings right-of-use	(3,188)	(418)	639	-	(2,967)
Plant and machinery right-of-use	(793)	(83)	-	-	(876)
Other assets right-of-use	(2,300)	(545)	216	-	(2,629)
Total	(6,852)	(1,117)	855	-	(7,114)

3.3. INVESTMENT PROPERTY

The values of Investment property at June 30, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	30/06/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land	1,834	-	1,834	1,834	-	1,834
Buildings & facilities	3,256	(1,338)	1,918	3,258	(1,307)	1,951
Total	5,091	(1,338)	3,752	5,092	(1,307)	3,785

Investment property refers to part of the land, buildings and facilities within the Colleferro industrial complex (Rome) owned by the subsidiary Se.co.sv.im. S.r.l., leased to third parties. This latter undertakes property management activities.

The changes between December 31, 2023 and June 30, 2024 in the gross values of investment property of the Avio Group are illustrated in the table below (Euro thousands):

Gross values	31/12/2023	Increases	Decreases	Reclassifications and other changes	30/06/2024
Land	1,834	-	-	-	1,834
Buildings & facilities	3,258	-	(1)	-	3,257
Total	5,092	-	(1)	-	5,091

In H1 2024, the changes to accumulated depreciation were as follows (in Euro thousands):

Accumulated depreciation	31/12/2023	Depreciation	Utilisations	Reclassifications and other changes	30/06/2024
Buildings & facilities	(1,307)	(31)	-	-	(1,338)
Total	(1,307)	(31)	-	-	(1,338)

The depreciation in the period was calculated in relation to the estimated useful life and the obsolescence incurred by these assets.

3.4. INTANGIBLE ASSETS WITH DEFINITE LIFE

The values of Intangible assets with definite life at June 30, 2024 are shown net of the accumulated amortisation provisions, as illustrated in the table below (Euro thousands).

	30/06/2024			31/12/2023		
	Gross values	Accumulated amortisation	Net book value	Gross values	Accumulated amortisation	Net book value
Development costs - amortisable	71,685	(17,712)	53,973	71,685	(15,949)	55,736
Development costs - in progress	27,866	-	27,866	27,148	-	27,148
Total development costs	99,551	(17,712)	81,839	98,833	(15,949)	82,884
Assets from PPA	46,616	(21,829)	24,787	46,616	(20,275)	26,341
Concessions, licenses, trademarks and similar rights	20,858	(13,269)	7,589	20,433	(12,507)	7,926
Other	13,742	(5,284)	8,458	13,524	(4,743)	8,780
Assets in progress and advances	1,231	-	1,231	291	-	291
Total	181,998	(58,094)	123,904	179,697	(53,475)	126,222

The development costs being amortised primarily refer to design and testing costs relating to the Z40 and P120C engines. Most development costs under completion refer to projects relating to the new liquid oxygen and methane engines.

The amortisation of these costs begins from the commencement of the commercial production of each individual programme, on a straight-line basis over their useful life, initially estimated based on the duration of the programmes to which they refer.

With reference to development costs in course of completion, which are not subject to amortisation as referring to programmes which have not yet commenced commercial production, recognition under intangible assets with definite useful lives (with prior verification of the absence of impairment) is supported by the profitability forecasts of the programmes.

Following the purchase price allocation process of the Avio Group by Space2 in March 2017, two intangible assets were identified relating to the Ariane and Vega aerospace programmes for a total of Euro 44,785 thousand.

The assets deriving from this allocation were measured at fair value based on the present value of the expected future benefits of the above aerospace programmes and amortised over a period of 15 years on the basis of the average useful life of the programmes.

Following the purchase price allocation process of Temis by Avio S.p.A. in September 2022, two intangible assets were identified relating to the Avionica 3.0 and Space Rider aerospace programmes for a total of Euro 1,831 thousand.

The assets deriving from this allocation were measured at fair value based on the present value of the expected future benefits of the above aerospace programmes and amortised over a period of 15 years on the basis of the average useful life of the programmes.

Concessions, licenses, trademarks, patents and similar rights mainly include costs for the acquisition of software licenses and land rights costs.

The changes in H1 2024 in the gross values of Intangible assets with definite life of the Avio Group are illustrated in the table below (Euro thousands):

Gross values	31/12/2023	Increases	Decreases	Reclassifications and other changes	30/06/2024
Development costs - amortisable	71,685	-	-	-	71,685
Development costs - in progress	27,148	718	-	-	27,866
Total development costs	98,833	718	-	-	99,551
Assets from PPA -	46,616	-	-	-	46,616
Concessions, licenses, trademarks and similar rights	20,433	425	-	-	20,858
Other	13,524	218	-	-	13,742
Assets in progress and advances	291	940	-	-	1,231
Total	179,697	2,301	-	-	181,998

The increases in H1 2024 totalled Euro 2,301 thousand, which principally refer to:

- Euro 718 thousand, mainly for design and testing costs for the construction of the new engines and avionics elements;
- Euro 940 thousand, mainly concerning the review of the procedures to streamline production;
- Euro 425 thousand concerning software licenses and introduction projects;
- Euro 218 thousand mainly relating to the preparation of business plans.

In H1 2024, the changes to accumulated amortisation were as follows (in Euro thousands):

Accumulated amortisation	31/12/2023	Increases	Decreases	Reclassifications and other changes	30/06/2024
Development costs - amortisable	(15,949)	(1,763)	-	-	(17,712)
Development costs - in progress	-	-	-	-	-
Total development costs	(15,949)	(1,763)	-	-	(17,712)
Assets from PPA	(20,275)	(1,554)	-	-	(21,829)
Concessions, licenses, trademarks and similar rights	(12,507)	(762)	-	-	(13,269)
Other	(4,743)	(541)	-	-	(5,284)
Total	(53,475)	(4,620)	-	-	(58,094)

3.5. GOODWILL

Goodwill was recognised at June 30, 2024 of Euro 62,829 thousand, of which:

- Euro 61,005 thousand concerning the residual portion of the price paid by Space2 S.p.A. in 2017, after the purchase price allocation and allocated to the sole Group CGU corresponding to the Space sector;
- Euro 1,824 thousand Euro relating to the 2022 acquisition of Temis S.r.l. This amount constitutes the residual amount recognised to Goodwill following the conclusion of the process to allocate the difference between the purchase price of 100% of this company and the acquired equity in 2023. This goodwill is also allocated to the Group's only Space sector CGU.

As indicated in Note "2.7. Accounting standards and basis of preparation" of the financial statements at December 31, 2023, goodwill is not amortised but written down for impairments. The Group assesses the recoverability of goodwill at least annually, or more frequently where specific events and circumstances arise which may result in value reductions, through impairment tests on each of the Cash Generating Units (CGU's). The CGU identified by the Group for the monitoring of goodwill coincides with the level of aggregation required by IFRS 8 - *Operating segments*, which for the Group is identified by the *Space business* alone.

Goodwill allocated to the Space CGU was subject to an impairment test on December 31 2023, on the basis of cash flows from the Space CGU estimated based on forecasts from the 2024-2028 long-term plan approved by the Board of Directors on March 13, 2024. The outcome of the test did not indicate the need for a write-down of the carrying amount of goodwill at December 31, 2023. In the first half of 2024, any indicators of impairment were assessed using both internal and external information sources.

The internal information sources mainly included assessment of:

- the results for the half-year.

The operating results in H1 2024 generally improved on H1 2023, mainly due to the positive contribution from the increased defence sector solid propulsion production activities, and the increased NextGen EU technology development project activities, and for the P160 engine and the reduced energy costs, offset by the increase in Vega C production costs and the reduced P120/P160 engine production activities.

- the order backlog.

Internal information sources first assessed the assumptions underlying the projections of future cash flows of the Space CGU of the 2024-2028 long-term plan updated on September 11, 2024 which include, first of all, the order backlog. The Backlog at June 30, 2024 reached Euro 1,385.9 million, a net increase of Euro 27 million (2%) on December 31, 2023. This result was mainly due to the new orders acquired in H1 2024 of over Euro 200 million, mainly concerning the defence sector solid propulsion activities, the production of the P160 engines and the Vega development activities, whose revenues and results shall emerge over the coming years.

- growth of contributions from tactical propulsion.

The contribution of the solid propulsion business continued to increase, as reported in the presentation to analysts and investors regarding the H1 2024 results, which will be communicated to analysts and investors on September 12, 2024.

Revenues from defence activities in the period totalled Euro 30.5 million (16.9% of net revenues in the period), up 75.3% on H1 2023 (Euro 17.4 million, 11.0% of net revenues in the period).

The subsequent events include the announced start-up of a partnership with Raytheon, a division of RTX (NYSE: RTX), a leader in defence solutions for the U.S. Government and its allies, to initiate and advance the development of solid-propellant engines for defence²⁶ and a second partnership with the U.S. Army Combat Capabilities Development Command Aviation & Missile Center to develop and prototype a solid-propellant thruster for surface-to-air applications²⁷.

- Positive outcome of the Vega C Zefiro 40 engine test

On May 28, 2024, the Zefiro-40 solid-fuel rocket engine was successfully tested at the Salto di Quirra testing range in Sardinia, the second stage of the Vega-C launcher, as part of the Vega C return to flight activities. A second ignition test will be conducted in October to qualify the engine for the return to flight of Vega C by the end of 2024 from the French Guyana Space Centre.

- Successful maiden launch of Ariane 6

Among the subsequent events, we highlight that on July 9, 2024, the Ariane 6 launcher successfully made its maiden flight²⁸, taking off from the French Guyana Space Centre and placing multiple payloads into orbit. As a result of this key milestone, achieved with a degree of delay, a gradual increase in series production of the P120/160 engines is expected. This will contribute to the company's space production activities and have a positive effect in terms of economies of scale and margins.

- Dividends distribution

²⁶ See press release of November 23, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-raytheon-rtx-produzione-di-motori-propellente-solido>

²⁷ See press release of November 23, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-l'esercito-degli-stati-uniti>

²⁸ See press release of November 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

On April 23, 2024, Avio S.p.A.'s Ordinary Shareholders' Meeting unanimously approved the Board of Directors' proposal to distribute an ordinary dividend of Euro 3,750 thousand, to be paid out of the profit for 2023, and an extraordinary dividend of Euro 2,250 thousand, through the partial use of retained earnings.

External information sources mainly included assessment of:

- changes in energy costs.

Energy costs were lower than in H1 2023, and the current forecast for H2 also suggests energy costs in line with the previous year.

- market capitalisation.

At the approval date of the half-year financial report, as a result of the sharp increase in the share price since December 31, 2023, the market capitalisation is higher than the book value of consolidated net equity.

- the changes, since the date of the impairment test, in the interest rates considered when estimating the weighted average cost of capital (WACC) used for in the impairment test conducted to December 31, 2023.

The impairment test performed to December 31, 2023 reported a substantial positive margin between the recoverable value of the Space CGU and the book value of the net capital employed recorded in the financial statements, which was also confirmed following sensitivity analyses and stress tests conducted on the weighted average cost of invested capital. Specifically, considering a WACC of 9.76%, the break-even WACC that renders the recoverable value of the Space CGU equal to the book value of the net capital employed recorded in the balance sheet as of December 31, 2023 was 11.5%.

In addition, H1 2024 saw interest rates mainly remain substantially stable.

- The continuation of the conflict in Ukraine.

These assessments have led to the conclusion that no specific medium-term impacts on Vega C operational continuity are currently expected. The procurement process for the fourth-stage Vega C engine produced in Ukraine, which has been underway for several years, has provided a "strategic" stock which guarantees Avio's deliveries for launches planned in the medium term. In addition, also in the medium-term, funds have been received and a project launched to develop an orbital motor in Italy as part of the Next Gen EU project.

In addition to what has been stated above with reference to the order backlog, the cash flow projections of the 2024-2028 multi-year plan are based on the following additional main assumptions, where reasonably estimated, corroborated by separate external sources by type of revenue, mainly concerning launcher production activities and defense research and development activities:

- globally we are seeing, according to a report by Euroconsult²⁹, a growth in the value of the satellite industry (with reference to both business manufacturing and launches) from the current USD 300 billion in the period 2013 - 2022 to about USD 600 billion in the period 2023-2032 (growth rate 2x). It is expected that the space launch business segment, again according to the same Euroconsult report, will grow from the current USD 78 billion in the 2013-2022 period to about USD 150 billion in the 2023-2032 period;
- the growth forecast for total mass demand to be launched into space, based on the study by the company Euroconsult³⁰, for the period 2023-2032 is 15,199 tonnes compared to 3,465 tonnes actually launched in the period 2013-2022, with a growth rate of 4x;
- according to a recent report by Euroconsult³¹ a comparison of the two decades 2013-22 (past) and 2023-32 (future) shows how the number of orbited satellites increases (on average) from about

²⁹ "Satellites to be built & launched," 2024 26th edition, Euroconsult Report, published in January 2024;

³⁰ "Satellites to be built & launched," 2024 26th edition, Euroconsult Report, published in January 2024;

³¹ "Satellites to be built & launched," 2024 26th edition, Euroconsult Report, published in January 2024;

800/year to 2,900/year (growth rate: 4x), the corresponding mass increases on average from about 300 tonnes/year to 1,500 tonnes/year;

- market demand extrapolated from Euroconsult forecasts can therefore be reasonably estimated at between 6% and 7% CAGR on a 10-year basis;
- these expectations are also reflected in the financial flows being invested in the sector by private players such as Venture Capital Funds, Private Equity Funds, business angels and corporate venture capital. According to Space Capital reports, these figures have increased from USD 18.1 billion annually in 2015 to USD 49.7 billion in 2021, with a CAGR of approx. 18%³²;
- there has also been a significant increase in overall resources allocated to space programmes at the government level: according to a recent Euroconsult report³³, government funding for space economy activities totalled more than \$92 billion in 2021, up 8% from 2020. Also according to the same source, these budgets are forecast to grow to USD 115 billion in 2030, with a CAGR of 2.5% over 9 years;
- as regards the above, with respect to the 2024–2028 plan's R&D revenue projections, the demand for publicly funded new product and technology development activities is based primarily on (i) expectations for government spending on space activities. In Europe, the budgets of the national space agencies and the European Space Agency (hereinafter also "ESA") have grown by an average of approx. 7% annually between 2015 and 2023, as can be deduced from the data published by the agencies themselves³⁴ and (ii) on the funds made available by the Italian state under the National Recovery and Resilience Plan - hereafter also NRRP - following the COVID-19 pandemic.
- in particular, again with regard to projections of revenues from R&D, the ESA defined - for the space launcher segment - a product roadmap up to 2025 including, among other things, future evolutions of the current Vega launcher, of which Avio is prime contractor, consisting of Vega C and Vega E, the new Ariane 6 launcher, of which Avio will produce the P120 first-stage engines, and the reusable Space Rider spacecraft, of which Avio is co-prime. Against this development roadmap, Italy signed up for ESA public funding of over Euro 700 million at the 2022 Ministerial Conference. These subscriptions, by virtue of then geographic return principle applied by the ESA to such, are transforming into new contracts for Avio (the only operator in the sector in Italy and recognised as prime contractor for launcher activities in ESA), which are regularly announced to the market³⁵;
- the ESA Council of November 6, 2023³⁶, held in Seville, made significant decisions about the Ariane 6, Vega-C and Vega-E programmes, including:
 - the coverage, through additional funding, of a portion of the additional production costs resulting largely from the significant rise in inflation that has emerged over the past 2 years in the eurozone, particularly for Ariane 6 up to Euro 340 million per year and for Vega-C up to Euro 21 million per year;
 - the expectation of a minimum number of European institutional launches, both for Ariane 6 (4 flights/year) and Vega C (3 flights/year), increased from that expected in previous years, due in part to the growth in size of the various European satellite programmes;
 - the opening of a competition in the European launcher sector through a special competitive process (European Launcher Challenge) by the ESA to develop and demonstrate the launch capability of new systems (up to Euro 150 million);
 - Avio's gradual assumption of Vega-C's Launch Service Operator (LSO) and Launch Service Provider (LSP) functions, i.e., responsibilities for Vega-C's flight operations and commercialisation rights, with the expectation of an agreement to be reached between Arianespace and Avio to manage the 17 flights contracts already;
 - the allocation to Vega-C and Vega-E, at the Kourou space centre, of an existing facility that

³² Space Capital investment dashboard <https://www.spacecapital.com/quarterly/>;

³³ "Government Space Programs, 21st edition" report, Euroconsult, cited in <https://www.satellitetoday.com/government-military/2022/01/07/euroconsult-reports-record-government-space-investment-in-2021/>;

³⁴ ESA 2015 budget of Euro 4.4 billion available at: https://www.esa.int/Newsroom/Highlights/ESA_budget_2015; ESA 2023 budget of Euro 7.5 billion available at: https://www.esa.int/ESA_Multimedia/Images/2023/01/ESA_budget_by_domain_2023

³⁵ Examples of ESA contracts or budget allocations that were announced by Avio to the market: https://avio-data.teleborsa.it/2022%2f20221125-Avio-Market-Update-2022_vDEF_20221202_103612.pdf

³⁶ See the press release of November 7, 2023 at the link: https://www.avio.com/sites/avio.com/files/attachments/CS_ESA%20Siviglia_ITA_1.pdf.

will be dedicated to launcher pre-integration so as to increase the annual launch frequency and the related allocation to Vega-E of the launch pad previously used by Ariane 5;

Following on from the decision adopted by the Board of the ESA in Seville on November 6, 2023 outlined above, the new decision of the Board of the ESA of July 5, 2024³⁷ has laid the basis for the commercialisation of the Vega launcher by Avio. Specifically, the resolution resulted in Arianespace and Avio agreeing that Arianespace will remain the launch service provider and operator for Vega and Vega C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025. For Vega C launches following VV29, the customers who have already contracted with Arianespace will be offered the possibility to transfer their contracts to Avio as the new launch service provider and sole operator of Vega.

- National Recovery and Resilience Plan (NRRP) - The Italian government has launched a number of projects for the NRRP, some of which specifically address the evolution of space propulsion technologies and products related to launchers. The execution of these projects has been entrusted to ESA and concerns in particular the realization of a high-thrust methane engine and an in-flight demonstrator of a small liquid propulsion launcher. These projects represent an opportunity for the Company to extend its product portfolio and technological expertise, capitalising on its ongoing experience with Vega E and the M10 liquid oxygen-methane engine. In parallel, the NRRP has initiated the creation of an Italian satellite constellation for Earth observation, with execution also entrusted to ESA, whose missions will be carried out with Vega launchers. As reported in the presentations to the market³⁸, the NRRP and the complementary funds for 2022-2026 amount to a total of Euro 2.3 billion, of which an amount exceeding Euro 1.0 billion earmarked for the development and launch with Vega of an Earth Observation Satellite Constellation, and approx. Euro 300 million for the development of new technologies in the areas of liquid propulsion (construction and testing of a high-thrust methane engine, a technology already being developed by the Company), structures, avionics and pyrotechnics, as well as two in-flight demonstrators of a small liquid propulsion launcher. Finally, Avio is part of a consortium of Italian companies that won the tender (and related funding of approx. Euro 300 million) for the development of an In Orbit Servicing (IOS) technology demonstrator.

On June 29, 2022, Avio announced³⁹ that it had been awarded the first two contracts under the space industry initiatives to implement the "Next Gen EU" technology development programme, through a significant investment by the Italian government. This seeks to enhance the space access technological capabilities of the Italian industrial sector, with the European Space Agency (ESA) as the Contracting Authority and the supervision of the Prime Minister's Office, the Italian Space Agency (ASI) and the Minister of Technological Innovation and Digital Transition.

On March 13, 2023, Avio announced⁴⁰ that it had signed the above contracts at the headquarters of the Ministry of Enterprise and Made in Italy, with the Minister Adolfo Urso and the ESA's Director of Space Transportation in attendance. The first contract - called STS and funded for Euro 181.6 million until completion - will be dedicated to developing, by 2026, an in-flight demonstrator of new technologies and specific designs for a two-stage liquid propellant-propelled light-load launcher using liquid-oxygen and methane engines with lower environmental impacts. The second - called HTE and funded for Euro 103.7 million upon completion - will be dedicated to developing a new high-performance, low environmental impact liquid-oxygen and methane engine and high thrust technology. Detailed design and construction of demonstrators of increasing complexity up to ground qualification testing is scheduled by 2026.

³⁷ See press release of November 5, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/le-decisioni-del-consiglio-esa-pongono-le-basi-servizi-di-lancio-europei-piu>

³⁸ See the following "Investors" section of Avio's website: http://avio-data.teleborsa.it/2022%2f20220215-Avio-FY-2021-results_vDEF_1_20220315_100105.pdf;

³⁹ See the press release of June 29, 2022 at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/firmati-contratti-next-gen-eu-finanziati-con-340-milioni-di-euro-al-completamento-per-nuove-tecnologie-di-lancio/MXxjb211bmljYXRpLjE3NzEwMDAwNDMyMDIyMXwxfDIwMjIwODE1>

⁴⁰ See the press release of March 13, 2023 at: <https://syndication.teleborsa.it/Avio/Financial-Announcements/firma-dei-contratti-di-sviluppo-per-il-pnrr/MXxjb211bmljYXRpLjE3NzEwMDAwMDkyMDIzMXwxfDIwMjIwODE2>



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- the acceleration of the growth of defense production volumes, in addition to the development of new evolutions was estimated based on the new production and development contracts signed during 2022 and 2023, as well as those expected, also taking account of the signing of the two new previously stated partnerships announced on July 23, 2024.

Based on the main assessments carried out as above, there were no impairment indicators ("triggering events") at June 30, 2024. As such, the value recorded in the financial statements was not subjected to further verification of recoverability.

3.6. INVESTMENTS

The investments held by the Avio Group at June 30, 2024 and December 31, 2023 follow (in Euro thousands).

	30/06/2024		31/12/2023		Change
	Group share	Total	Group share	Total	
<i>Subsidiaries</i>					
- Servizi Colleferro – Consortium	52.00%	63	52.00%	63	0
Total non-consolidated subsidiaries		63		63	0
<i>Companies under joint control</i>					
- Europropulsion S.A.	50.00%	5,235	50.00%	7,253	(2,018)
Total companies under joint control		5,235		7,253	(2,018)
<i>Associates</i>					
- Termica Colleferro S.p.A.	40.00%	5,776	40.00%	5,511	266
- Other consortiums		5		5	0
Total associates		5,782		5,516	266
<i>Other companies</i>					
- Other companies		4,750		4,750	0
Total other companies		4,750		4,750	0
Total		15,830		17,582	(1,752)

The changes between December 31, 2023 and June 30, 2024 in the investments are shown below (Euro thousands):

	31/12/2023	Valuation at equity	Increases	Decreases	Other changes	30/06/2024
Non-consolidated subsidiaries	63	-	-	-	-	63
Companies under joint control	7,253	(2,018)	-	-	-	5,235
Associates	5,516	266	-	-	-	5,782
Other companies	4,750	-	-	-	-	4,750
Total	17,582	(1,752)	-	-	-	15,830

"Jointly controlled companies" includes only the investment in Europropulsion S.A.. The movement in the year is due to its measurement at equity, resulting in a net decrease of Euro 2,018 thousand (due to the increase for the 50% share of the profit for H1 2024, amounting to Euro 182 thousand, net of the decrease of Euro 2,200 thousand following the reduction in company's equity due to the dividends paid to Avio S.p.A. in the period).



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"Associated companies" includes the investment in Termica Colleferro S.p.A., totalling Euro 5,776 thousand and in a number of consortiums, for Euro 5 thousand. The movements for the half-year all relate to the investment in Termica Colleferro, which is valued at equity.

The remaining investments in other associates (consortiums) are valued at acquisition or subscription cost, as these companies are not considered significant in relation to the Group financial position and also as non-operating companies. In addition, the valuation as per the equity method would not result in a significant effect compared to valuation at cost.

"Other companies" include the following minor interests in Arianespace, in C.I.R.A. - Centro Italiano Ricerche Aerospaziali S.c.p.A., in Imast S.c.a.r.l., in Distretto Aerospaziale Sardegna S.c.a.r.l., in ART S.p.A., in T4i S.p.A. and in the "Fondazione ITS Meccatronico del Lazio".

With reference to the investment in ART S.p.A., equal to 5% of its shares, acquired in 2022 for a value of Euro 1,720 thousand, it is reported in particular that it is a leading Italian infotainment systems company for performance and luxury cars and an industrial partner, as well as the former parent company of Temis S.p.A., of which Avio also acquired control in 2022.

As part of the acquisition of the stake in ART, an agreement was signed between Avio and GEF S.r.l., owner of the remaining 95% of the company, whereby Avio granted the other shareholder a pre-emption right to purchase the 5% stake in ART. This option may be exercised at the earlier of the following dates: (i) the conclusion of the fifth year from the date of completion of Avio's purchase of the investment; and (ii) in the case of a proposed change of control of the company, 60 days prior to the change of control. The option price is calculated by applying a multiplier to the aforementioned 5% acquisition price of the company, determined on the basis of the year following the date of completion of the transaction, starting from the fifth year.

With reference to the shareholding in T4i S.p.A., a spin-off of the University of Padua based in Monselice (PD), specialising in innovative propulsion systems for aerospace applications, it is reported in particular that it was founded in 2014 by a team led by Professor Daniele Pavarin and over the years has demonstrated expertise and excellence in the development of propulsion technologies, growing fast and working on ambitious programmes in partnership with the ESA, ASI and CNR, in addition to several Italian and overseas companies, including Avio. In 2023, the subscription to the capital increase resulted in the attainment of an approx. 17% stake in T4i.

The investments in other companies are valued at cost.

3.7. NON-CURRENT FINANCIAL ASSETS

The table below illustrates the non-current financial assets of the Avio Group at June 30, 2024 and at December 31, 2023 (in Euro thousands).

	30/06/2024	31/12/2023	Change
Shareholder loan to Termica Colleferro S.p.A.	2,010	2,010	-
	2,010	2,010	-

This shareholder loan, to the associate Termica Colleferro, is interest-free and is subordinated to the full repayment by that company of the loan previously granted by the lending banks, which matures on February 24, 2027.

3.8. DEFERRED TAX ASSETS

The Avio Group's recognised deferred tax assets amount to Euro 80,616 thousand (Euro 81,200 thousand at December 31, 2023).

The amount recorded in the accounts represents the net balance of the deferred tax assets and liabilities calculated on the temporary differences between the value of assets and liabilities assumed for the purposes of the preparation of the financial statements and the respective values for fiscal purposes and the tax losses carried forward.



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Deferred taxes are determined applying the tax rates which are expected to be applied in the period when the temporary differences will be reversed, or the benefits related to the tax losses will be utilised.

The summary of the temporary differences (deductible and assessable) and of the tax losses which resulted in the recognition of deferred tax assets and liabilities is illustrated in the table below with reference to the reporting date (Euro thousands):

	30/06/2024
Gross deferred tax assets on temporary differences	
<i>Temporary differences deriving from previous corporate operations</i>	
Fiscal amortisation on previous goodwill whose tax benefits remain in the Company.	248
Financial charges exceeding 30% of EBITDA	26,876
<i>Temporary differences deriving from current corporate operations</i>	
Provision for staff charges	2,722
Other deductible temporary differences	8,090
Provisions for risks and legal charges	3,015
Doubtful debt provision - trade and other receivables	96
Total gross deferred tax assets	41,047
Deferred tax liability on temporary differences	
<i>Temporary differences deriving from previous corporate operations</i>	
Amortisation intangible assets from PPA 2017 - Customer accreditation	(7,558)
Tax effect R&D expenses First-Time Adoption	(44)
<i>Temporary differences deriving from current corporate operations</i>	
Other temporary assessable differences	(1,184)
Total gross deferred tax liabilities	(8,786)
Net deferred tax assets/(liabilities)	32,262
Deferred tax assets on tax losses	68,175
Total deferred tax assets	100,437
Deferred tax assets not recorded	(19,822)
Net deferred tax assets (liabilities) recorded	80,615

Deferred tax assets on temporary differences and on tax losses were recorded in the accounts for the amounts whose future recovery was considered probable, on the basis of forecast assessable income, as well as based on a projection of these forecasts over a subsequent time horizon considered representative of the life cycle of the business equal to 15 years.

This time period considered representative of the life cycle of the business was estimated also taking into account the meeting with the Ministers of the Member Countries of ESA held in December 2014, which resulted in the signing in August 2015 of agreements with ESA relating to the development of the new Ariane 6 launcher and the evolution of the VEGA launcher within the VEGA C programme which provides for the development and construction of the new "P120C" thruster, and the meeting of the Ministers of the Member Countries of ESA held on December 1, 2016 and on December 2, 2016 which confirmed the above-mentioned development programmes and gave the go ahead for the long-term development programme of the engine and of the Upper Stage of the Vega E, or rather the next step in the evolution of the Vega launcher. These multi-year development programmes were further supported in successive ESA Ministerial Conferences, including the last one held in Paris in November 2022, particularly with extended funding for the completion of Ariane 6 qualification, which subsequently took place in the summer of 2024, for the completion of Vega E development, as well as the



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adaptation of the solid propellant propulsion stage from P120C to P160C, with an increase in its performance in order to provide increased capacity for all launch systems using it, from Ariane 6 to Vega C and Vega E.

Deferred tax assets recognised to the financial statements mainly concern the future tax deductibility of the goodwill amortisation relating to the "Aviation" business unit (sold in 2013), the financial charges exceeding 30% of gross operating profit and the intangible assets for client accreditation redefined as part of the purchase price allocation of 2017, as commented upon previously, in addition to prior tax losses.

3.9. OTHER NON-CURRENT ASSETS

The table below illustrates other non-current assets at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Other non-current assets	66,330	67,599	(1,269)
	66,330	67,599	(1,269)

The breakdown of the account at the reporting date was as follows (Euro thousands):

	30/06/2024	31/12/2023	Change
Receivables from the General Electric Group	58,220	58,220	-
Receivables from FCA Partecipazioni	5,354	5,299	55
Receivables from the Economic Development Ministry for disbursements pursuant to Law 808/85 - non-current portion	2,099	2,960	(861)
Guarantee deposits	256	717	(461)
Other non-current receivables	401	404	(3)
Total	66,330	67,599	(1,269)

"Receivables from the General Electric Group", amounting to Euro 58,220 thousand, refers to the recharge to the General Electric Group of the charges arising from the settlement notice relating to registration, mortgage and cadastral taxes notified to the Company in July 2016 by the Tax Agency, in connection with the corporate transactions that led to the transfer of the AeroEngine business by the Avio Group to the General Electric Group in 2013. This receivable is recognised against an amount payable to the Treasury of like amount among non-current liabilities.

The recognition of the above-mentioned receivable from the General Electric Group is based on specific contractual provisions, according to which the latter is required to indemnify the Avio Group from any liability arising in connection with the AeroEngine business pertaining to the General Electric Group, including liabilities related to indirect taxes referable to the above-mentioned extraordinary transactions of 2013.

We note that the aforementioned tax settlement notice is the subject of a dispute with the tax authorities, which in 2020 appealed to the Supreme Court of Cassation against the sentence with which, at the end of 2018, the Piedmont Regional Tax Commission fully accepted the appeal lodged by the Company. The Company appeared promptly in the proceedings with its own counter-appeal and simultaneous cross-appeal, reaffirming the soundness of its arguments. The Court of Cassation has set the hearing of the case for October 8, 2024.

With regard to the litigation in question, and in particular the subject-matter of the dispute, relating to the anti-avoidance provision of Article 20, headed "Interpretation of acts", of Presidential Decree No. 131/1986 ("Consolidated Registration Tax Act"), mention should be made of some circumstances post-dating the service of the payment notice. Specifically:

- the 2018 Budget Law (see Article 1, paragraph 87, letter a), of Law 205 of December 27, 2017) amended, with effect from January 1, 2018, Article 20 of the Consolidated Registration Tax Act, limiting the ability of the revenue authorities to reclassify acts subject to registration;
- the 2019 Budget Law (see Article 1, paragraph 1084, of Law 145 of December 30, 2018) attributed retroactive effect to the provision introduced by the 2018 Budget Law, which therefore should apply to payment notices – including that served on the Company – served in years prior to 2017;

- on July 21, 2020 Italy's Constitutional Court (see judgment no. 158) ruled that there was no basis for the challenges of the constitutionality of Article 20 of the Consolidated Registration Tax Act, holding that the statute is intended to reaffirm the "transaction tax" nature of registration tax, and clarifying the object of taxation in accordance with the structure of a levy on the legal effects of the legal transaction presented for registration, without the revenue authorities being able to attach relevance to extratextual elements and linked legal transactions devoid of any textual connection with the transaction in question;
- on September 17, 2020 the Central Directorate of the Tax Agency published official clarification (see reply no. 371) in which, acknowledging the above ruling by the Constitutional Court, it clarified that *"the sale of company quotas preceded by the contribution of a business line cannot be taxed on a par with the sale of a company as a whole on the basis of the provisions of Article 20 of the Consolidated Income Tax Act."*

For further information, reference should be made to Note "3.25. Other non-current liabilities" and to the section "Legal and tax disputes and potential liabilities" in the Explanatory Notes.

The account "Receivables from FCA Partecipazioni" refers to the settlement dated August 2, 2019 between the Avio Group and FCA Partecipazioni S.p.A. regarding environmental charges. Based on this agreement FCA Partecipazioni committed to recognise to the Avio Group a total amount of Euro 19.9 million, of which Euro 11.3 million for reclamation activities and environmental restoration to be paid in the 2019-2023 period and Euro 8.6 million for post-operative management and maintenance to be paid in the 2019-2048 period, against the lapsing of the contractual guarantees which the company provided in the past to the Avio Group.

This agreement therefore entailed the recognition, on the transaction date (2019), of a discounted receivable from FCA Partecipazioni of Euro 16.5 million, divided into within and beyond 12 months according to the due dates of the expected collections, and a corresponding charges provision of Euro 16.9 million.

"Receivables from the Economic Development Ministry for disbursements pursuant to Law 808/85 - non-current portion", amounting to Euro 2,099 thousand, refer to the discounted value of the non-current portion of the concessions granted by the Ministry for Economic Development under the rules of Law 808/85.

These receivables are recorded in the accounts at the value resulting from the application of the amortised cost method, calculated utilising the effective interest rate, and are increased due to the effect of the accumulated amortisation of the difference between the initial value and the actual cash amounts and booked in the accounts under "Financial income".

The amounts to be received within 12 months are classified under "Other current assets" (Note 3.15).

The reduction in "Guarantee deposits" of Euro 461 thousand mainly concerns the return of two deposits. The first concerns the supply of energy by the associate Termica Colleferro and the second relates to a lease contract.

CURRENT ASSETS**3.10. INVENTORIES AND ADVANCES TO SUPPLIERS**

The table below illustrates inventories and advances to suppliers at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Inventories	304,121	284,427	19,694
	304,121	284,427	19,694

The movements in the year are shown below (in Euro thousands):

	31/12/2023	Change	30/06/2024
Raw materials, supplies and consumables	105,257	16,636	121,893
Raw material, ancillary and consumables obsolescence provision	(2,127)	(257)	(2,384)
Raw material, ancillary and consumables - net value	103,130	16,379	119,510
Products in work-in-progress	10,780	(1,265)	9,515
Provision for the write-down of work in progress	-	-	-
Products in work-in-progress - net value	10,780	(1,265)	9,515
Finished products and other inventories	11,168	(35)	11,133
Finished products and other inventories obsolescence provision	(1,957)	-	(1,957)
Finished products and other inventories - net value	9,211	(35)	9,176
Inventories and advances to suppliers	161,305	4,615	165,920
	284,427	19,694	304,121

The increase in inventories relates to provisioning needed in order to support expected future production levels.

Advances to suppliers refers to payments to subcontractors made on the basis of interim progress reports. This item also includes advances paid on the signing of contracts. The change during the period reflects ordinary business cycle dynamics.

3.11. CONTRACT WORK-IN-PROGRESS

Production and research and development on orders are presented in the financial statements in two separate accounts: "Contract work-in-progress" and "Advances for contract work in progress".

"Contract work-in-progress", recognised to the assets section of the Balance Sheet, includes the net balance of production orders and research and development for which, on the basis of analysis carried out by individual order, the gross value of contract work-in-progress is higher at the reporting date than the amount of advances received from customers.

"Advances for contract work in progress", recognised to the liabilities section of the Balance Sheet, includes the net balance of production orders and research and development for which, on the basis of analysis carried out by individual order, the value of the advances received from clients is higher at the reporting date than the gross value of contract work-in-progress.

Contract work-in-progress is measured on the advancement of the production orders and research and development in accordance with the percentage of completion method based on the ratio between the costs incurred and the total estimated costs for the entire project.

The gross value of contract work-in-progress and advances received from customers is as follows (in Euro thousands):

	30/06/2024	31/12/2023	Change
Contract work-in-progress	143,967	123,473	20,494
Advances for contract work-in-progress	(446,080)	(452,830)	6,750
Net total	(302,114)	(329,357)	27,243

The table below summarises the contract work-in-progress relating to the projects where the gross value is higher than the advances collected; these works are therefore recorded for the net value under assets in the Consolidated Balance Sheet (Euro thousands):

	30/06/2024	31/12/2023	Change
Contract work-in-progress (gross)	1,697,274	1,154,872	542,402
Advances for contract work-in-progress (gross)	(1,553,308)	(1,031,400)	(521,908)
Contract work-in-progress (net)	143,967	123,473	20,495

The table below summarises the contract work-in-progress relating to the projects where the gross value is lower than the advances collected; these works are therefore recorded for the net value under liabilities in the Consolidated Balance Sheet (Euro thousands):

	30/06/2024	31/12/2023	Change
Contract work-in-progress (gross)	654,702	1,140,336	(485,634)
Advances for contract work-in-progress (gross)	(1,100,782)	(1,593,166)	492,384
Advances for contract work-in-progress (net)	(446,080)	(452,830)	6,750

The Avio Group is entitled to the research and development tax credits provided for in Decree-Law No. 145 of December 23, 2013, converted, with modifications, by Law No. 9 of February 21, 2014, as amended by Law No. 232 of December 11, 2016 (the "2017 Finance Act") and by the 2019 Finance Act (Article 1, paragraphs 70-72, of Law No. 145 of December 30, 2018), on the basis of research and development services commissioned by the European Space Agency. These benefits are recognised to the income statement based on the advancement of the research and development on long-term orders which are part of the contract work-in-progress.



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The multi-year projects mainly concern those relating to the Vega C and Vega E future generation launchers and the recognition of the economic benefits shall be made over the duration of the orders and from the effective advancement of the orders, calculated on the basis of the relative costs incurred.

3.12. TRADE RECEIVABLES

The table below illustrates trade receivables at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Trade receivables	2,965	2,944	21
	2,965	2,944	21

The breakdown of trade receivables at the reporting date is shown below (Euro thousands):

	30/06/2024	31/12/2023	Change
Receivables from third parties	1,638	1,791	(153)
Receivables from associates and jointly controlled companies	857	653	203
	2,495	2,445	50
Receivables from associates and jointly controlled companies beyond one year	470	499	(29)
	470	499	(29)
Total	2,965	2,944	21

The nominal value of receivables from third parties was adjusted by a doubtful debt provision of Euro 486 thousand in order to reflect their fair value.

Receivables from third parties

The breakdown of the account is shown below (Euro thousands):

	30/06/2024	31/12/2023	Change
Gross value	2,123	2,274	(151)
less: doubtful debt provision	(486)	(483)	(3)
Total	1,638	1,791	(153)

The principal receivables are due from ArianeGroup and the European Space Agency (ESA).

Receivables from associates, jointly controlled companies and non-consolidated subsidiaries

The breakdown of the account is shown below (Euro thousands):

	30/06/2024	31/12/2023	Change
Europropulsion S.A.	63	89	(26)
Servizi Colleferro S.C.p.A.	136	48	88
Potable Water Services Consortium	278	204	74
Termica Colleferro S.p.A. due within one year	380	313	67
	857	653	203
Termica Colleferro S.p.A. due beyond one year	470	499	(29)
	470	499	(29)
Total	1,327	1,152	174

3.13. CASH AND CASH EQUIVALENTS

The table below illustrates cash and cash equivalents at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Cash and cash equivalents	35,773	95,593	(59,820)
Total	35,773	95,593	(59,820)

Cash and cash equivalents mainly concern balances on bank current accounts, in addition to some short-term restricted deposits.

Reference should be made to the Cash flow statement with regards to the movements in the period.

3.14. CURRENT TAX RECEIVABLES

The table below illustrates tax receivables at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Tax receivables	17,107	16,024	1,084
Total	17,107	16,024	1,084

The following table shows the net changes by type of tax credit and tax (amounts in thousands of euro):

	30/06/2024	31/12/2023	Change
VAT	7,319	5,383	1,936
Research and development tax credits	2,797	2,763	34
Tax credits for simple and 4.0 technological innovation	2,110	1,960	150
Tax credits for the purchase of simple new capital goods and 4.0	2,167	2,052	115
Receivables from tax authorities	2,463	3,619	(1,156)
Tax credit on energy	-	-	-
EU VAT receivables	251	247	4
Total	17,107	16,024	1,084

This item is substantially in line with the balance at December 31, 2023. There are deviations in the specific categories of tax and tax credits, however, as described below.

VAT receivables

VAT receivables of Euro 7,319 thousand (Euro 5,383 thousand at December 31, 2023), include:

- Euro 1,890 thousand, relating to VAT reimbursement requests to the Tax Authorities (Euro 1,983 thousand at December 31, 2023);
- Euro 5,429 thousand, relating to VAT reimbursements to date not requested for repayment (Euro 3,400 thousand at December 31, 2022).

During the first half of the year, "VAT Receivables" increased Euro 1,936 thousand compared to the previous year, due to the VAT receivables accrued in the period of Euro 4,086 thousand, net of offsets and reimbursements for Euro 2,150 thousand.

The increases for new VAT receivables relate to the fact that the parent company's Avio's main clients are non-resident, such as the European Space Agency (ESA) for the development of launchers and Ariane Group for their production/distribution, in addition to the jointly-controlled company Europropulsion for both of these phases. In particular, for the transactions carried out with these parties, Avio S.p.A. acts as a habitual exporter for VAT purposes, as the VAT exempt system for exports and the exemption for transactions treated as exports and the intra-EU supplies of goods are applicable to these transactions. This circumstance entails the quasi-absence of VAT payables on the sales transactions undertaken by the Company. On the other hand, the Company however has Italian suppliers whose supplies - further to the amounts for which declarations of intent are issued due to the fact that Avio S.p.A. is a habitual exporter - result in the recognition of VAT receivables.

Research and development and technological innovation tax credit

These tax credits totalled Euro 7,075 thousand (Euro 6,775 thousand at December 31, 2023).

Regulatory framework

The 2020 Budget Law (see Law No. 160 of December 27, 2019), as amended by the 2021 Budget Law (see Law No. 178 of December 30, 2020) and the 2022 Budget Law (see Law No. 234 of December 30, 2021), establishes:

- a) a tax credit for fundamental research, industrial research and experimental development in scientific or technological fields, as defined in the "Frascati Manual". This tax credit is granted for 20% of the costs incurred in 2022, with a maximum of Euro 4 million;
- b) a tax credit for technological innovation activities, other than those set out in point a), for the development of new or substantially improved products or production processes. This tax credit is granted - separately from that set out in paragraph a), and thus cumulatively - for 10% of the costs incurred in 2022 for such activities, with a maximum of Euro 2 million. The relief is increased (15% of the costs incurred in 2022 for such activities, up to a maximum of Euro 2 million), where the technological innovation activity is intended to achieve an environmental transition or digital innovation 4.0 objective;
- c) a tax credit for the design and styling activities carried out by companies active in textiles, fashion, footwear, eyewear, jewellery, furniture and furnishings and ceramics to create and implement new products and samples.



In addition, a tax credit was arranged for the purchase of new capital goods and other property, plant, equipment and intangible assets, both generic and functional for the Industry 4.0 project, confirmed by the 2021 Budget Law.

In contrast to the previous R&D tax credit, for the new relief introduced by the 2020 Budget Law:

1. the system for calculating eligible costs is not incremental, but proportional, with various rates (20%, 10% or 15%) to the costs incurred in the maturation year of the credit;
2. the receivables are used as offsets over three equal annual portions from the tax period subsequent to maturation, subject to satisfaction of the certification obligations;
3. the rule in paragraph 1-bis of Decree-Law No. 145/2013, which allowed resident companies to benefit from an R&D tax credit for activities carried out on behalf of non-resident principals, was not renewed.

Recognition in the Financial Statements

R&D tax credits accrued until 2019 under Decree-Law 145/2013

The H1 2024 Income Statement includes amounts of Euro 599 thousand relating to the effects on the income statement of the tax credits accrued in 2017, 2018 and 2019 according to the provisions of Article 3 of Decree-Law 145/2013, in effect until December 31, 2019.

The amount recorded in the comparative Income Statement for H1 2023 was Euro 667 thousand.

In particular, the recognition of these accruals was due to the fact that the receivables in question were initially recorded in the account "Research and development tax credit" and recognised to the Income Statement in each period on an accruals basis, according to the differing types of costs supported, and on the basis of the percentage of completion of the contract work-in-progress giving rise to the costs against which the due receivable was calculated in the Income Statement accounts "Service costs" and "Change in contract work-in-progress".

The cited long-term orders are those concerning research and development projects which principally include the future generation Vega C and Vega E launchers, which are part of the wider Vega launchers family.

This benefit, as matured against such research and development, was recognised to the Income Statement on the basis of the advancement of these activities, proportionate to the advancement of the costs incurred for the long-term orders to which the benefit refers.

R&D tax credits accrued in 2020, 2021, 2022, 2023 and H1 2024 pursuant to the 2020 Budget Law as amended

The Avio Group recognised R&D tax credits of Euro 7,075 thousand for the period under review, attributable entirely to the parent company, Avio S.p.A., and accrued in 2020, 2021 and 2022 and 2023 (for Euro 6,775 thousand) and in H1 2024 (for Euro 299 thousand).

The receivables under review refer mainly to internal research and development projects and to some technological innovation projects, both simple and 4.0 projects. As these subsidies are intended to cover operating costs and are not dependent on the creation of a specific fixed asset, and as they accrue in the financial year in which the eligible costs are incurred, regardless of the way in which these costs are accounted for, the subsidies in question have been treated as operating grants and, for this reason, the related economic benefit has been recorded in full in the same financial year in which the eligible costs from which the subsidies in question accrue were accounted for.



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Tax receivables

Tax receivables of Euro 2,463 thousand (Euro 3,619 thousand at December 31, 2023), principally concerned:

- tax receivables for IRES of Euro 685 thousand of the parent company Avio S.p.A.;
- tax receivables for withholdings on current account interest income of Euro 526 thousand of the parent company Avio S.p.A.;
- other tax credits of Euro 1,284 thousand, including in particular the tax credits of the Guiana subsidiary Regulus S.A..

EU VAT receivables

The EU VAT receivables relate to inter-EU transactions and amount to Euro 251 thousand (Euro 247 thousand at December 31, 2022).

3.15. OTHER CURRENT ASSETS

The table below illustrates other current assets at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Other current assets	7,546	7,037	510
Total	7,546	7,037	510

The breakdown of the account is shown in the table below (Euro thousands):

	30/06/2024	31/12/2023	Change
Economic Development Ministry for disbursements pursuant to Law 808/85 - current portion	854	3,155	(2,031)
Receivables from FCA Partecipazioni	-	285	(285)
Employee receivables	1,326	1,093	233
Grants/subsidies receivable	1,058	960	98
Prepayments and accrued income	3,414	1,051	2,363
Other debtors	412	442	(30)
Social security institutions	437	21	417
Receivables from associated company Consorzio Servizi Acqua Potabile	46	31	15
Total	7,546	7,037	510

"Receivables from the Economic Development Ministry for disbursements pursuant to Law 808/85 - current portion", amounting to Euro 854 thousand, refer to the discounted value of the non-current portion of the concessions granted by the Ministry for Economic Development under the rules of Law 808/85, whose collection is expected within 12 months.

The portion which will be received beyond 12 months is classified in the account "Other non-current assets" (Note 3.9).

"Prepayments and accrued income" of Euro 3,414 thousand increased on December 31, 2023 in view of the normal deferral of costs paid in one settlement at the beginning of 2024, but also accruing to the second half of 2024.

Receivables for grants and subsidies of Euro 1,058 thousand concerning various subsidised research projects. Reference should also be made to section "9. Disclosure on public grants as per article 1, paragraphs 125-129, of Law No. 124/2017.

Employee receivables of Euro 1,326 thousand concern the Group cash advances for the coverage of mission and travel expenses.

Other receivables of Euro 412 thousand mainly concern certain recharges, including of a tax nature, to a number of counterparties.



EQUITY

3.16. SHARE CAPITAL

The share capital of the parent company Avio S.p.A. amounts to Euro 90,964,212 at June 30, 2024; the share capital is entirely subscribed and paid-in.

This share capital derives from the aggregation:

- of Euro 15,422,500, equal to the share capital of the SPAC (Special Purpose Acquisition Company) Space2 S.p.A., following the partial proportional spin-off effective as of April 5, 2017, with the beneficiary being the new SPAC Space3 S.p.A. (this latter company therefore not part of the Avio Group). The company Space2, following the acquisition of the Avio Group on March 31, 2017, then merged by incorporation the parent Avio S.p.A., effective as of April 10, 2017, and was newly renamed "Avio S.p.A.";
- of Euro 75,339,170, equal to the share capital increase to service the share swap of the above-mentioned merger, following which shares were assigned of the incorporating company Space2 to Leonardo S.p.A. and In Orbit S.p.A.
- of which Euro 202,542 thousand as the increase due to the exercise, in the second half of 2017, of market warrants (see the "Shareholders" paragraph of the Directors' Report).

The share capital at June 30, 2024 comprised 26,359,346 ordinary shares.

3.17. SHARE PREMIUM RESERVE

The share premium reserve, originally totalling Euro 144,256 thousand, is restricted for the value of the treasury shares acquired. At June 30, 2024, the available value of the share premium reserve was Euro 130,921 thousand, with treasury shares recognised to the financial statements amounting to Euro 13,335 thousand.

3.18. OTHER RESERVES

The breakdown of other reserves is as follows (Euro thousands):

	30/06/2024	31/12/2023	Change
Legal reserve	18,193	18,193	-
Treasury shares acquired	(13,335)	(13,335)	-
Unavailable treasury shares purchase reserve	13,335	13,335	-
Actuarial gains/(losses) reserve	(4,059)	(4,126)	67
Stock grant reserve	1,714	622	1,092
Translation reserve	(48)	(45)	(3)
Total	15,800	14,644	1,156

The stock grant reserve represents the cost for H1 2024 of the 2022-2024, 2023-2025 and 2024-2026 plans to grant treasury shares to top management.

The translation reserve, negative for Euro 48 thousand, relates to the effects of the full consolidation of the financial statements in USD of the subsidiary Avio USA Inc.



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3.19. RECONCILIATION BETWEEN EQUITY AND NET PROFIT OR LOSS OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET PROFIT OR LOSS

The reconciliation between equity at June 30, 2024 and the H1 2024 result of Avio S.p.A. and the corresponding consolidated financial statement amounts is outlined as follows (in Euro thousands):

	Equity at 30/06/2024	H1 2024 result.
Accounting situation of Avio S.p.A.	286,688	4,315
Elimination of investments recognised to Avio S.p.A.	(79,158)	-
Recognition of the Avio Group's share of the shareholders' equity and profits or losses of the consolidated companies	82,212	(3,056)
Other consolidation adjustments	5,566	(1,682)
Consolidated financial statements (attributable to the Group)	295,309	(424)

For the reconciliation of the shareholders' equity of Avio S.p.A. and the consolidated shareholders' equity of the Avio Group, in addition to the elimination of the carrying amount of the investments in consolidated companies and the recognition of the relative shareholders' equity, the other consolidation adjustments mainly concern:

- the positive difference of Euro 3,144 thousand between the acquisition price in 2022 of Temis s.r.l. and the shareholders' equity acquired at the acquisition date;
- the valuation at equity of the jointly-controlled company Europropulsion S.A. as a cumulative effect, for a final positive effect of Euro 1,536 thousand;
- the valuation at equity of the associate Termica Colleferro S.p.A. for a final negative effect of Euro 1,896 thousand;
- to other effects, positive in the amount of Euro 2,782 thousand, mainly related to the elimination of lease contracts, in particular with Se.Co.Sv.Im. S.r.l..

For the reconciliation of the net result for the period of Avio S.p.A. and the consolidated result of the Avio Group, in addition to the recognition of the result for the period of the consolidated companies of Euro 3,056 thousand, mainly regarding Regulus SA and Avio USA Inc., the other consolidation adjustments, totalling a net charge of Euro 1,682 thousand, mainly concern:

- the valuation of the joint venture Europropulsion S.A. at equity, which led to the recognition of charges of Euro 2,018 thousand to the consolidated financial statements;
- the valuation at equity of the associate Termica Colleferro S.p.A., involving the recognition of income to the consolidated financial statements of Euro 266 thousand;
- the elimination of lease contracts with Group companies, in particular Se.Co.Sv.Im. S.r.l., resulting in the total recognition of income to the consolidated financial statements of Euro 114 thousand.

3.20. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the share of the equity in Spacelab S.p.A and Regulus S.A consolidated under the line-by-line method, as illustrated below (in Euro thousands):

	30/06/2024			
Consolidated companies	% Non-controlling interests	Capital and Reserves	Profit/(loss)	Equity non-controlling Interests
Spacelab S.p.A.	30.00%	1,685	41	1,726
Regulus S.A.	40.00%	8,052	(1,400)	6,652
		9,736	(1,359)	8,377



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NON-CURRENT LIABILITIES**3.21. NON-CURRENT FINANCIAL LIABILITIES**

The movement in the account between December 31, 2023 and June 30, 2024 is reported below (in Euro thousands):

	30/06/2024	31/12/2023	Change
Non-current financial liabilities to EIB	1,000	2,000	(1,000)
Other non-current financial liabilities	722	51	671
Total	1,722	2,051	(329)

The account essentially concerns the first of two loans agreed with the European Investment Bank (EIB), as outlined below:

- loan of an original Euro 10,000 thousand subscribed in January 2019: this loan has a fixed interest rate and is of 7-years duration, of which 2 constituting a grace period and repayment in ten equal half-yearly instalments of Euro 1,000 thousand from the third to the seventh years, of which the first maturing on April 30, 2021 and the final maturing on October 31, 2025;
- loan of Euro 40,000 thousand subscribed in October 2017: this loan has a fixed interest rate and is of 7-years duration, of which 2 constituting a grace period and repayment in ten equal half-yearly instalments of Euro 4,000 thousand from the third to the seventh years, of which the first payment on April 30, 2020 and the final maturing on October 31, 2024. This loan at the date of this financial report was classified to the item "Current portion of non-current financial payables".

The two loans will support the planned development of new technologies in the field of space propulsion systems in view of the offering of the new products for the Ariane 6 and Vega-C programmes and the expansion of industrial capacity at the Colleferro facility required to meet the Company's production volume targets for the coming years.

The decrease of Euro 1,000 thousand relates to the reclassification to short-term of the Euro 1,000 thousand instalment, concerning the Euro 10,000 thousand loan, maturing on April 30, 2025.

The short-term portion of the loan, totalling Euro 6,000 thousand (including over Euro 11 thousand for interest accrued in the period), is therefore recognised under item "3.28. Current portion of non-current financial payables".

These two loans are not supported by guarantees and stipulate the application of covenants (Gross Financial Debt/EBITDA, Gross Financial Debt/Equity, EBITDA/net financial charges), among other covenants. These covenants have been complied with to date.

Hedging derivatives have not been agreed on these loans.

3.22. NON-CURRENT FINANCIAL LIABILITIES FOR LEASING

Following the application of IFRS 16, the breakdown of the related non-current financial liabilities is shown below (in Euro thousands):

	30/06/2024	31/12/2023	Change
Non-current financial liabilities for leasing	4,556	5,620	(1,064)
Total	4,556	5,620	(1,064)

The breakdown of these financial liabilities is as follows (Euro thousands):



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	30/06/2024	31/12/2023	Change
Non-current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	628	698	(70)
Non-current financial liabilities to third parties as per IFRS 16	3,928	4,922	(994)
Total	4,556	5,620	(1,064)

The financial liabilities to the associate Termica Colleferro S.p.A. relate to the lease of the electro-duct and relative electrical infrastructure at the combined cycle co-generation thermo-electrical station owned by the said associate.

With regards to the financial liabilities to third parties, these essentially concern:

- the concession of a specific area within the Salto di Quirra Inter-force Experimental Facility, where there are plans for a Space Propulsion Test Facility project for the construction of a Liquid Rocket Engine test bench and the production of carbon-carbon components;
- the leasing of office and industrial use land and buildings at Airola (Campania) and Villaputzu (Sardinia);
- the lease of apartments for employees in Guiana;
- the lease of company cars.

3.23. EMPLOYEE BENEFIT PROVISIONS

The account relates to post-employment benefits and other long-term benefits.

The means for accruing these benefits varies according to the legal, fiscal and economic conditions of each State in which the Group operates. These benefits are generally based on remuneration and years of employee service. The obligations refer to employees in service.

Post-employment benefits

Group companies guarantee post-employment benefits for employees both through contributions to external funds and through defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, the Group pays the contributions to public or private insurance institutions based on legal or contractual obligations. With the payment of contributions the companies fulfil their obligations. The payables for contributions to be paid at the reporting date are included in the account "Other current liabilities" and the cost for the period matures based on the service period of the employee and recorded in the income statement account "Personnel expenses".

Defined benefit plans

Defined benefit plans are represented by unfunded plans, principally provided by third party funds, present in the Italian companies of the Group, of the leaving indemnity provision and of the special loyalty bonus indemnity, payable on departure to the employees which have matured the required number of years' service. The value of the liabilities recorded in the accounts for these institutions is calculated on an actuarial basis, utilising the projected unit credit method.

The leaving indemnity provision relates to the obligation for the amount to be paid to employees on the termination of employment, pursuant to the provisions of Article 2120 of the Civil Code. The regulations of this provision were modified by the 2007 Finance Act and subsequent Decrees and Regulations. Specifically, for the companies with an average number of employees not lower than fifty, the portion of leaving indemnity matured subsequent to January 1, 2007 is, on the choice of the employee, either transferred to a complementary pension fund or to the INPS treasury fund. Consequently, for the companies of the Group with a number of employees not below fifty, the portion of the employee leaving indemnity matured subsequent to this date is treated as a defined contribution plan, as the obligation of the Group is represented exclusively by the payment to the complimentary pension fund or to INPS, while the liability existing at December 31, 2006 continues to be treated as a defined benefit plan to be valued in accordance with actuarial methods. For the companies of the Group with a number of employees below fifty, the portion matured in the year continues to be accrued to the company leaving indemnity provision, unless specific choices are made voluntary by the individual employees.

Other long-term employee benefits

The Group also recognises to employees other long-term benefits issued on the reaching of a fixed number of years of service. In this instance, the value of the obligation recognised to the financial statements reflects the probability that the payment will be issued and the duration for which payment will be made. The value of these liabilities recorded in the accounts are calculated on an actuarial basis, utilising the "projected unit credit" method.

The Group mainly has "unfunded" defined benefit plans, principally comprising the leaving indemnity provision of the Italian companies.

The provisions are broken down as follows (in Euro thousands):

	30/06/2024	31/12/2023	Change
- Defined benefit plans:			
Post-employment benefits	3,525	3,440	86
Other defined benefit plans	2,450	2,400	50
	5,975	5,840	135
- Other long-term benefits	3,120	3,075	45
Total employee benefit provisions	9,095	8,915	180
<i>of which:</i>			
- Italy	7,972	7,762	210
- Other Countries	1,123	1,153	(30)
	9,095	8,915	180

The following table presents the principal changes in the employee benefit provisions during the period (in Euro thousands):

	Defined benefit plans	Other long-term employee benefits	Total employee benefit provisions
At 31/12/2023	5,840	3,075	8,915
Financial charges/(income)	97	36	133
Extraordinary charges/(income) from actuarial adjustment	-	-	-
Actuarial (gains)/losses in income statement	-	-	-
Actuarial (gains)/losses in comprehensive income statement	(64)	-	(64)
Pension cost current employees	88	70	159
Other changes	-	-	-
Benefits paid	14	(62)	(48)
At 30/06/2024	5,975	3,120	9,095



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The table below provides the main assumptions used for the actuarial calculation and a comparison with both FY 2023 and H1 2023:

	30/06/2024	31/12/2023	30/06/2023
Discount rate	3.33%	3.16%	3.63%
Expected salary increases	2.16%	2.15%	2.16%
Inflation rate	European Zero-Coupon Inflation-Indexed Swap curve at 25.06.2024	European zero-coupon inflation-indexed curve Swap at 29.12.2023	European zero-coupon inflation-indexed curve Swap at 31.05.2023
Average employee turnover rate	4.80%	4.90%	4.66%

Securities issued by corporate issuers with "AA" ratings were utilised for the calculation of the present value, with the presumption that this class identifies a high rating level within a range of "Investment Grade" securities and therefore excluding more risky securities. The market curve utilised was a "Composite" curve which reflects the market conditions at the valuation date for securities issued by companies belonging to various sectors (including Utility, Telephone, Financial, Bank and Industrial). In relation to the geographical area, reference was made to the Eurozone.

3.24. PROVISIONS FOR RISKS AND CHARGES

The table below illustrates provisions for risks and charges at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Provisions for risks and charges	35,878	43,838	(7,959)
Total	35,878	43,838	(7,959)

The breakdown of the provisions for risks and charges at June 30, 2024 is presented below (Euro thousands):

	30/06/2024		
	Current portion	Non-current portion	Total
Provision for variable remuneration	2,924	1,684	4,608
Provision for legal and environmental risks and charges	5,357	10,933	16,290
Other provisions for risks and charges	6,935	8,044	14,980
Total	15,216	20,662	35,878

These provisions include:

- provisions for variable remuneration for Euro 4,608 thousand, mainly comprising employee remuneration on the achievement of individual and corporate objectives;
- provisions for legal and environmental risks and charges, against litigation and trade union disputes in course, amount to Euro 16,290 thousand;
- other provisions for risks and charges of Euro 14,980 thousand (Euro 18,915 thousand at December 31, 2023), mainly referring to extraordinary provisions for the future execution of programmes and for the risks related to the return-to-flight activities of Vega C, net of compensation expected from the European Space Agency, amounting to Euro 11,527 thousand (Euro 15,830 thousand at December 31, 2023); these provisions include, among others, charges for the restoration of leased areas and royalties provided for by Law 808/85.

The movements in current and non-current provisions in H1 2024 are shown below (amounts in Euro thousands):

	31/12/2023	Provisions	Other changes	Utilisations	Reversals	30/06/2024
Provision for variable remuneration	8,279	3,080	-	(5,938)	(813)	4,608
Provision for legal and environmental risks and charges	16,643	61	-	(414)	-	16,290
Other provisions for risks and charges	18,915	420	-	(4,218)	(137)	14,980
Total	43,838	3,561	-	(10,571)	(950)	35,878

The main changes in the first half of the year were:

- the provisions for variable remuneration were utilised for Euro 5,938 thousand, in consideration of the bonuses paid to employees in April 2024 for the achievement of individual and company objectives relating to 2023.
The provision of Euro 3,080 thousand mainly relates to variable remuneration which will be paid in the first half of 2025, on the basis of the achievement of individual and company objectives for the year 2024.
- the risks and legal and environmental charge provisions were utilised for Euro 414 thousand to pay environmental charges;
- other provisions for risks and charges: the provisions mainly concern the royalties based on law 808; the utilisations principally concern the charges arising in the period related to the Vega C return to flight activities, net of the offsets expected from the European Space Agency previously accrued to the provisions. In addition, reference should be made to the "Group operating performance and financial and equity position" section of the Directors' Report.



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3.25. OTHER NON-CURRENT LIABILITIES

The table below illustrates the account at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Other non-current liabilities	75,016	75,062	(46)
Total	75,016	75,062	(46)

In detail, the changes in the item were as follows:

	30/06/2024	31/12/2023	Change
Tax liabilities			
<i>Payables to the Tax Authorities for registration, mortgage and land tax relating to the corporate transaction which in 2013 resulted in the sale of the company GE Avio S.r.l. (containing the assets of the AeroEngine sector of the Avio Group) to the General Electric Group.</i>	58,220	58,220	-
	58,220	58,220	-
Liabilities relating to Law 808/85			
Deferred income on disbursements pursuant to Law 808/85 - beyond one year	14,248	14,248	-
Payables to MiSE for disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	1,554	1,320	234
Payables to the Economic Development Ministry (MiSE) for disbursements pursuant to Law 808/85 - portion beyond one year	-	234	(234)
Deferred income on disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	483	483	-
	16,285	16,285	-
Other liabilities			
Payables due to MiSE for other subsidies	346	392	(46)
Deferred income	165	165	-
Total	75,016	75,062	(46)

Tax liabilities

Payables to the Tax Authorities for registration, mortgage and land tax relating to the corporate transaction which in 2013 resulted in the sale of the company GE Avio S.r.l. (containing the assets of the AeroEngine sector of the Avio Group) to the General Electric Group.

The account, amounting to Euro 58,220 thousand, refers to the settlement notice received in July 2016 from the Tax Agency relating to registration, mortgage and land tax for the above-mentioned amount, relating to the corporate operations which in 2013 resulted in the sale of the company GE Avio S.r.l. (containing the assets of the AeroEngine sector of the Avio Group) to the General Electric Group. Simultaneously a receivable was recorded from the General Electric Group for a similar amount.

The recognition of the above-mentioned receivable from the General Electric Group is based on specific contractual clauses in which this latter must indemnify Avio with reference to any liabilities which should arise



in relation to indirect taxes concerning the above-mentioned operations, providing Avio the sums requested by the Tax Office within the time period for the payments.

It should be noted that the afore-mentioned tax settlement notice is the subject of a dispute with the tax authorities, which in 2020 appealed to the Supreme Court of Cassation against the sentence with which, at the end of 2018, the Piedmont Regional Tax Commission fully accepted the appeal lodged by the Company. The Company appeared promptly in the proceedings with its own counter-appeal and simultaneous cross-appeal, reaffirming the soundness of its arguments. The Court of Cassation has set the hearing of the case for October 8, 2024.

For further information, reference should be made to Note "3.9. Other non-current liabilities" and to the section "Legal and tax disputes and contingent liabilities" in the Explanatory Notes.

Liabilities relating to Law 808/85

Deferred income on disbursements pursuant to Law 808/85 - beyond one year

The account, amounting to Euro 14,248 thousand, represents the initial counter-entry of the receivable from the Ministry for Economic Development against the grants pursuant to Law 808/85, relating to the projects qualifying as functional to national security or projects with common European interest, for the amount to be allocated to the income statement in future years, beyond one year, in correlation to the allocation of the costs against which the disbursements were granted.

Payables to Economic Development Ministry for disbursements pursuant to Law 808/85 (rules as per MiSE Decree 3/07/2015) - portion beyond one year

Disclosure upon the payable to MiSE for disbursements as per Law 808/85 according to the ex MiSE Decree of 3/07/2015 of Euro 1,554 thousand is presented below.

With Economic Development Ministry Decree of July 3, 2015, the criteria and means for funding to promote and support aerospace research and development projects to consolidate and grow Italian technology and the sector's competitiveness were defined.

The measures under the Decree concern zero-rate subsidised loans granted within the limits established by EU rules upon research, development and innovation.

The loans are repaid for 90% of the settlement amount through annual equal instalments over the issue duration and however for a period of not less than ten years, beginning from the year subsequent to the final disbursement. The remaining 10% is an outright grant.

On February 19, 2018, the parent Avio was recognised the Settlement Decree by the Economic Development Ministry with regards to expenses incurred as part of a research and development project which falls within the scope of the above-mentioned July 3, 2015 Decree.

The final disbursement under the plan reported in the Decree of February 19, 2018 is in 2029, with repayment therefore from the subsequent year (2030) until 2045.

Both the grants receivable from the Ministry for Economic Development and the subsequent reimbursements payable to the Ministry have been accounted for at amortised cost. The difference between the nominal and present values of the amount receivable and payable is recognised over the course of the benefit.

Deferred income on disbursements pursuant to Law 808/85 (rules as per MiSE Decree 3/07/2015) - portion beyond one year

See above for an account of the rules for grants pursuant to Law 808/85 set out in the Decree of the Ministry for Economic Development of July 3, 2015.

The caption, which amounted to Euro 483 thousand, represents the difference between the nominal values and present values of the amount receivable and payable in respect of the aforementioned liquidation decree dated February 19, 2018.

Payables due to MiSE for other subsidies

This item, amounting to Euro 346 thousand, consists of payables due beyond one year to the Ministry for Economic Development relating to the disbursements provided for in Article 6 of the Decree of June 1, 2016, in accordance with Axis 1, action 1.1.3. of the National Operational Programme "Enterprise and Competitiveness" 2014-2020 ERDF, received for the undertaking of the joint research and development projects concerning the projects:

- "Additive Manufacturing by Mixing Elemental Powders", and
- "Innovative composite materials for space, aeronautics and automotive I.S.A.C."

The payables are recorded at their discounted value.

CURRENT LIABILITIES

3.26. CURRENT FINANCIAL LIABILITIES

The table below illustrates current financial liabilities at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Other current financial liabilities	38	26	12
Total	38	26	12

The item relates to financial liabilities of the subsidiary Temis S.r.l.

3.27. CURRENT FINANCIAL LIABILITIES FOR LEASING

Following the application of IFRS 16, the breakdown of the related non-current financial liabilities is shown below (in Euro thousands):

	30/06/2024	31/12/2023	Change
Current financial liabilities for leasing	1,957	1,747	211
Total	1,957	1,747	211

The breakdown of these financial liabilities is as follows (Euro thousands):

	30/06/2024	31/12/2023	Change
Current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	125	135	(10)
Current financial liabilities to third parties as per IFRS 16	1,832	1,612	220
Total	1,957	1,747	210

The financial liabilities to the associate Termica Colleferro S.p.A. relate to the lease of the electro-duct and relative electrical infrastructure at the combined cycle co-generation thermo-electrical station owned by the said associate.

With regards to the financial liabilities to third parties, these essentially concern:

- the concession of a specific area within the Salto di Quirra Inter-force Experimental Facility, where there are plans for a Space Propulsion Test Facility project for the construction of a Liquid Rocket Engine test bench and the production of carbon-carbon components;
- the leasing of office and industrial use land and buildings at Airola (Campania) and Villaputzu (Sardinia);



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- the lease of apartments for employees in Guiana;
- the lease of company cars.

3.28. CURRENT PORTION OF NON-CURRENT FINANCIAL PAYABLES

The table below illustrates this account at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Current portion of non-current financial payables	6,011	10,018	(4,008)
Total	6,011	10,018	(4,008)

The account, which amounted to Euro 6,011 thousand, consists of:

- an instalment on the EIB loan of an original amount of Euro 40 million, of Euro 4 million, maturing on October 31, 2024);
- two instalments of the EIB loan of Euro 10 million, amounting to Euro 2 million (of which Euro 1 million due on October 31, 2024 and Euro 1 million due on April 30, 2025);
- the accrued interest at June 30, 2024 amounting to Euro 11 thousand.

3.29. TRADE PAYABLES

The table below illustrates trade payables at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Trade payables	114,845	113,159	1,686
Total	114,845	113,159	1,686

Trade payables of the Avio Group at June 30, 2024 amount to Euro 114,845 thousand; this amount includes, for Euro 12,929 thousand, trade payables to associated companies, jointly controlled companies and non-consolidated subsidiaries as follows (Euro thousands):

	30/06/2024	31/12/2023	Change
Europropulsion S.A.	11,395	558	10,837
Termica Colleferro S.p.A.	716	1,639	(923)
Potable Water Services Consortium	77	(36)	113
Servizi Colleferro S.C.p.A.	741	516	225
Total	12,929	2,678	10,252



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3.30. CURRENT TAX PAYABLES

The table below illustrates current tax payables at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Current income tax payables	2,978	2,513	465
Total	2,978	2,513	465

The breakdown of current income taxes is shown below (in Euro thousands):

	30/06/2024	31/12/2023	Change
IRES payables	256	256	-
IRAP payables	712	138	574
Payables for withholding taxes	1,985	1,664	321
Other tax payables	7	401	(394)
Foreign income taxes	17	53	(36)
Total	2,978	2,513	465

IRES payables from tax consolidation amount to Euro 256 thousand, while IRAP payables total Euro 712 thousand.

Payables for withholding taxes, amounting to Euro 1,985 thousand, refer to employee and consultant withholding taxes. The increase on the previous year is due to the higher number of Group employees.

Payables for foreign taxes totalling Euro 17 thousand relate to the tax liabilities of the subsidiaries Regulus S.A., Avio Guyane S.A.S and Avio France S.A.S., operating in Kourou in French Guiana, a French overseas region and department in South America.

3.31. OTHER CURRENT LIABILITIES

The table below illustrates other current liabilities at June 30, 2024 and December 31, 2023 (Euro thousands).

	30/06/2024	31/12/2023	Change
Other current liabilities	30,906	28,973	1,933
Total	30,906	28,973	1,933

The breakdown of the account at June 30, 2024 is shown in the table below (Euro thousands):

	30/06/2024	31/12/2023	Change
Other accrued liabilities and deferred income	12,124	12,007	117
Employee payables	11,970	9,806	2,164
Other payables to third parties	1,852	1,379	473
Payables due to social security institutions	4,297	4,461	(164)
Deferred income on disbursements pursuant to Law 808/85 - current portion	662	1,320	(658)
Total	30,906	28,973	1,933

Accrued expenses and deferred income

This account, amounting to Euro 12,124 thousand (Euro 12,007 thousand at December 31, 2023), mainly refers to the deferment of commercial costs and grants to the following period.

Employee payables

Employee payables amount to Euro 11,970 thousand and include remuneration to be settled, in addition to vacations and other rights matured and not utilised. The increase of Euro 2,164 thousand is also due to the increase (+66) in headcount during the half year (from 1,256 at December 31, 2023 to 1,322 at the end of the half year).

Other payables to third parties

This account totals Euro 1,852 thousand and relates to liabilities for urban development charges due to the municipalities in which the Group operates for Euro 465 thousand and other liabilities to third-parties for Euro 1,387 thousand.

Amounts due to social security institutions

The account concerns amounts to be paid, amounting to Euro 4,297 thousand (Euro 4,461 thousand at December 31, 2023), relating to company and employee contributions, in accordance with regulations in force.

Deferred income on disbursements pursuant to Law 808/85 - current portion

The account, amounting to Euro 662 thousand (Euro 1,320 thousand at December 31, 2023), concerns the deferral of the contribution, with regards to the portion expected to be recognised as income to the income statement within the next 12 months.



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INCOME STATEMENT**3.32. REVENUES**

Total revenues, comprising the change in contract work-in-progress and revenues from product sales and the provision of services, amounted to Euro 210,606 thousand. They amounted to Euro 157,721 thousand in the first half of 2023.

The following table compares the two periods (in Euro thousands):

	H1 2024	H1 2023	Change
Revenues from sales	174,387	141	174,246
Revenues from services	1,343	1,883	(540)
	175,730	2,025	173,706
Changes in contract work in progress	34,876	155,696	(120,820)
Total	210,606	157,721	52,886

For information on revenues as compared to the previous period, reference should be made to the "Group operating performance and financial and equity position" paragraph of the Directors' Report.

The revenues from advancement include the effect from the recognition of research and development credits for the years 2017, 2018 and 2019 under Article 3 of Legislative Decree No. 145/2013 and subsequent amendments in force until December 31, 2019. This income amounted in the period to Euro 669 thousand, in line with H1 2022. These credits, recognised to the extent they are considered recoverable and usable, are initially recorded in the account "Current tax receivables", with counter-entry to the income statement under "Service costs", and rediscounted to reflect their recognition to the Income Statement in each period on an accruals basis, according to the differing types of costs supported, in relation to the percentage of completion of the contract work-in-progress giving rise to the costs against which the credit was calculated. The accrual has been recognised on the balance sheet under "Contract work in progress" and its release has been recognised on the income statement as "Changes in contract work in progress".

In H1, the Group recognised variable fees pursuant to IFRS 15 that had an impact of approx. 4.7% of revenues, mainly relating to ESA contributions for the P120 ramp-up and for activities related to Vega C.

3.33. OTHER OPERATING REVENUES

"Other operating revenues" for the two periods are compared below (in Euro thousands):

	H1 2024	H1 2023	Change
Dividends from the jointly-controlled company Europropulsion S.A.	2,200	3,000	(800)
Other income	632	946	(314)
Income for the portion recognised to the income statement of the disbursements as per Law 808/85	658	660	(2)
Income from the release of provisions	483	251	232
Operating grants	971	541	430
Other prior year income	316	17	299
Total	5,261	5,415	(154)

In the first half of 2024, the account comprised:

- dividends collected from the jointly-controlled company Europropulsion for Euro 2,200 thousand (Euro 3,000 thousand in H1 2023);
- other income from recharges of Euro 632 thousand (Euro 946 thousand in H1 2022);
- income for the portion recognised to the income statement of the disbursements as per Law 808/85 for Euro 658 thousand (Euro 660 thousand in H1 2023);

- income from the release of provisions of Euro 483 thousand (Euro 251 thousand in H1 2023).
- operating grants for Euro 971 thousand (Euro 541 thousand in H1 2023);
- prior year income of Euro 316 thousand (Euro 17 thousand in H1 2023);

3.34. CONSUMPTION OF RAW MATERIALS

The breakdown of the account is as follows (Euro thousands):

	H1 2024	H1 2023	Change
Purchase of raw materials	74,087	72,710	1,377
Change in inventories of raw materials	(16,380)	(18,256)	1,876
Total	57,707	54,454	3,253

3.35. SERVICE COSTS

The breakdown of the account is as follows (in Euro thousands):

	H1 2024	H1 2023	Change
Service costs	92,505	60,112	32,393
Use of third party assets	1,661	1,311	350
Total	94,166	61,423	32,743

Service costs, amounting to Euro 92,505 thousand, in particular, include costs for activities carried out by co-producers, for consultancy and technical and professional services, for outsourcing, for maintenance and for temporary personnel.

The item also includes the amount of the emoluments due to the Avio Group's corporate boards, relating to:

- Directors' fees of Euro 302 thousand (Euro 366 thousand in H1 2023) and specific committee fees of Euro 87 thousand (Euro 91 thousand in H1 2023);
- Supervisory Board fees of Euro 97 thousand (Euro 85 thousand in H1 2023);
- Board of Statutory Auditors' fees of Euro 97 thousand (Euro 114 thousand in H1 2023);
- Auditing Firm fees of Euro 169 thousand (Euro 188 thousand in H1 2023).

3.36. PERSONNEL EXPENSES

The breakdown of the account is as follows (in Euro thousands):

	H1 2024	H1 2023	Change
Wages and salaries	37,783	34,071	3,712
Social security expenses	8,527	8,147	380
Provision for variable remuneration	3,881	2,983	898
Other long-term benefits - current employees	40	21	19
Actuarial (gains)/losses recorded in P&L relating to other long-term benefits	-	(312)	312
Provision for "Other defined benefit plans"	2,419	2,021	398
Total	52,650	46,931	5,719

The increase of Euro 5,719 thousand compared to the previous period is mainly due to the increase in number of employees of the Group.

The table below illustrates, at Group level and divided by category, the average number of employees of the companies included in the consolidation scope:

	H1 2024	H1 2023	Change
Blue-collar	370	381	(11)
White-collar	906	735	171
Executives	46	29	17
Total	1,322	1,146	177

3.37. AMORTISATION & DEPRECIATION

The breakdown of the account is as follows (in Euro thousands):

	H1 2024	H1 2023	Change
Intangible assets with definite life	4,620	4,608	12
Property, plant and equipment	2,685	3,289	(604)
Right-of-use	1,117	1,111	6
Investment property	36	43	(7)
Total	8,459	9,051	(592)

Amortisation of Intangible assets with a definite life primarily includes:

- amortisation of capitalised development costs of Euro 1,754 thousand (Euro 1,639 thousand in H1 2023);
- Euro 1,493 thousand for the amortisation of development costs capitalised and for the amortisation of intangible assets regarding the Ariane and Vega programmes, identified following the purchase price allocation process regarding the Group by Space2 in 2017 (same amount in H1 2023).

3.38. OTHER OPERATING COSTS

This account amounts to Euro 1,967 thousand (Euro 2,706 thousand in H1 2023) and mainly comprises the following items:

- indirect taxes and duties amounting to Euro 870 thousand (Euro 1,101 thousand in the first half of 2023);
- other operating costs of Euro 1,072 thousand (Euro 1,552 thousand in H1 2023) related to association dues, entertainment expenses, and sundry losses;

- prior-year charges of Euro 25 thousand (Euro 53 thousand in H1 2023).

3.39. EFFECT VALUATION OF INVESTMENTS UNDER EQUITY METHOD - OPERATING INCOME/(CHARGES)

The account, resulting in a net charge of Euro 1,751 thousand (Euro 817 thousand in H1 2023), includes the effects from the application of the equity method to measure the investments:

- in the jointly-controlled company Europropulsion S.A.; in this regard, a charge of Euro 2,018 thousand was recognised, corresponding to Avio's share of the change in the company's equity at June 30, 2024; the equivalent figure for H1 2023 was a charge of Euro 860 thousand;
- in the associate Termica Colleferro S.p.A., amounting to income of Euro 266 thousand.

These effects are recorded, in accordance with the option permitted by IFRS 11, under operating income and charges of the Group, based on the operating nature of the above equity investments in terms of the Avio Group's business.

3.40. COSTS CAPITALISED FOR INTERNAL WORKS

The account relating to costs capitalised for internally constructed assets, amounting to Euro 1,838 thousand (Euro 4,910 thousand in H1 2023), includes the costs for the internal construction of intangible assets, and to a lesser extent, tangible assets, recorded under assets in the Balance Sheet.

The account comprises the capitalisations of:

- internal development costs of Euro 718 thousand (Euro 3,733 thousand in H1 2023);
- costs for the internal production of tangible assets for Euro 180 thousand (Euro 156 thousand in H1 2023).
- costs for investments regarding the optimisation of operating processes to achieve production efficiency benefits in the amount of Euro 940 thousand (Euro 1,021 thousand at June 30, 2023).

3.41. FINANCIAL INCOME

The breakdown of the account is as follows (Euro thousands):

	H1 2024	H1 2023	Change
Bank interest income	224	587	(363)
Interest income on VAT refunds	13	18	(5)
Financial income from amortised cost	42	68	(26)
	279	673	(394)
Realised exchange gains	25	282	(257)
Unrealised exchange gains	(24)	(59)	35
	1	223	(222)
Total	280	897	(616)

Financial income, amounting to Euro 280 thousand (Euro 897 thousand in the comparative period), mainly comprised:

- interest income on short-term restricted deposits with financial institutions for Euro 224 thousand;
- interest income from the discounting of receivables for Euro 42 thousand (Euro 68 thousand in the comparative period);
- currency differences for Euro 1 thousand (Euro 223 thousand in the comparative period).

Realised exchange gains arise on the collection of receivables and settlement of payables in foreign currencies. Unrealised exchange losses relate to the period-end translation of receivables and payables in foreign currencies.

3.42. FINANCIAL CHARGES

The breakdown of the account is as follows (Euro thousands):

	H1 2024	H1 2023	Change
Interest on EIB loans	47	92	(46)
EUP treasury interest expenses	-	297	(297)
Interest on other payables	12	12	-
Discounting on employee benefits	133	105	28
Financial charges from amortised cost	90	73	17
	281	579	(298)
Realised exchange losses	121	139	(18)
Unrealised exchange losses	-	(31)	31
	121	107	13
Total	401	687	(286)

Financial charges, amounting to Euro 401 thousand (Euro 687 thousand in the comparative period), mainly comprised:

- interest expenses on the two EIB loans of Euro 47 thousand;
- discounting for employee benefit updates for Euro 133 thousand;
- financial charges from amortised cost applied to liabilities for Euro 90 thousand;
- exchange losses for Euro 121 thousand.

Realised exchange losses arise on the collection of receivables and settlement of payables in foreign currencies. Unrealised exchange losses relate to the period-end translation of receivables and payables in foreign currencies.

3.43. INCOME TAXES

The effective tax charge in the period is presented below (in Euro thousands):

	30/06/2024	30/06/2023
Italian company taxes	(689)	(41)
Taxes overseas companies	(6)	(42)
Net deferred tax income/charge	(588)	(89)
	(1,283)	(172)

This charge therefore comprises:

- IRES and IRAP income tax expense for the Italian companies of Euro 689 thousand (Euro 41 thousand in H1 2023), increasing following the completion at the end of 2023 of amortisation deductible for IRAP purposes related to goodwill of past extraordinary transactions;
- current tax charges of overseas subsidiaries for Euro 6 thousand (Euro 42 thousand in H1 2023);
- deferred tax charge of Euro 588 thousand (charge of Euro 89 thousand in H1 2023).

The reconciliation between the theoretical and effective IRES corporate income tax is presented below (in Euro thousands):

	30/06/2024	30/06/2023
Pre-tax result	(500)	(3,686)
Ordinary rate applied	24.00%	24.00%
Theoretical tax charge	(120)	(885)
Effect of increases (decreases) to the ordinary rate:		
Permanent increases	2,508	2,887
Permanent decreases	(3,328)	(4,888)



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Temporary difference increases	5,800	13,419
Temporary difference decreases	(13,264)	(17,722)
Total changes	(8,284)	(6,304)
Utilisation of fiscal losses	-	-
IRES taxable income of the Group	(8,784)	(9,990)
Effective IRES taxes	-	-
Effective IRAP taxes	(689)	(41)
Other direct taxation of foreign companies	(6)	(42)
Sub-total current income taxes	(695)	(83)
Deferred-tax (charge)/income	(588)	(89)
Sub-total deferred income taxes	(588)	(89)
Total tax (charge)/income	(1,283)	(172)

3.44. EARNINGS/(LOSS) PER SHARE

An explanatory statement is reported below (in Euro):

	H1 2024	H1 2023
Group Consolidated Result	(423,679)	(3,679,628)
Number of shares in circulation	26,359,346	26,359,346
Treasury shares	(1,091,207)	(1,091,207)
Number of shares entitled to profits	25,268,139	25,268,139
Basic earnings per share – in Euro	(0.02)	(0.15)
Diluted earnings per Share (in Euro) ⁽¹⁾	(0.02)	(0.14)

⁽¹⁾ Diluted earnings (or loss) per share was determined assuming the conversion of the 800,000 sponsor warrants into ordinary shares.



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4. DISCLOSURE BY OPERATING AND REGIONAL SEGMENTS

Disclosure by operating segment

In the first half of 2024, the Avio Group continued operating activities in line with previous years, exclusively in the Space business. Consequently, all the assets and liabilities, costs and revenues refer exclusively to a single sector of activity, which corresponds to the consolidation scope of the Group.

The Group workforce numbered 1,322 at June 30, 2024. At December 31, 2023 and June 30, 2023, Group employees numbered 1,253 and 1,216 respectively.

Disclosure by regional segment

The regional breakdown of Group revenues (defined based on customer country location), in H1 2024 (and in line with recent years) refers completely to Italy and Europe.

Group activities, and new investments, are similarly allocated - on the basis of the same criterion as revenues (customer country location) - entirely in Italy and Europe.

5. COMMITMENTS AND RISKS

The Group's principal commitments and risks are summarised in the following table (in Euro thousands):

	30/06/2024	31/12/2023
Guarantees given:		
Unsecured guarantees:		
Sureties issued to third parties on behalf of Group	44,525	44,455
Other guarantees	3,402	3,402
Total guarantees given	47,927	47,857
Guarantees received:		
Sureties and guarantees received	1,206	1,206
	1,206	1,206

Guarantees granted

Secured guarantees include sureties issued by third parties on behalf of the Group in favour of clients for the execution of contracts and other guarantees in the form of patronage letters issued in the interest of Group companies.

Sureties and guarantees received

These principally include sureties received from suppliers against orders for supplies to be completed.

Legal and tax cases and contingent liabilities

At the half-year reporting date, a number of Group companies were either plaintiffs or defendants to legal, civil, administrative and tax cases related to normal business operations, as outlined below.

Avio S.p.A. and the subsidiaries have established in their financial statements and, therefore, in the consolidated financial statements, appropriate provisions for risks and charges to cover foreseeable liabilities relating to disputes of differing natures with suppliers and third parties, both within the courts and extra-judicially, the relative legal expenses, in addition to administrative sanctions, penalties and customer indemnities (where applicable). In establishing provisions, account was taken of: (i) the risks related to each dispute; and (ii) the applicable accounting standards, which require the provisioning of liabilities for probable and quantifiable risks. Avio Group management consider the risks and charges provision estimates as appropriate with regards to the Group's overall amount of contingent liabilities.



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In addition, with regards to disputes with a possible or remote risk of loss, or of an incalculable amount (of a limited number), in accordance with the accounting standards no risks provision has been established.

The Group in addition bases its risk of potential loss estimates on assessments/expectations with regards to the expected final judgment on the dispute, which remains however linked to the intrinsic uncertainty of each judgment, for which differing outcomes (whether favourable or unfavourable) for the Group against the *ex-ante* estimates may not be excluded.

A summary of current proceedings considered by the Group as significant on the basis of the amount or matters considered is provided below.

Legal disputes

Secosvim/Caffaro

The Colleferro industrial district includes an industrial area known as "Benzoin and derivatives" owned by Secosvim, until December 31, 2007 leased to Caffaro S.p.A., which since September 2009 was subject to an extraordinary administration proceeding. For the collection of Caffaro's debts, Secosvim submitted an application for admission to its insolvency proceedings, which was accepted.

At the same time, the Emergency Commissioners Office of Sacco Valley issued a claim for damages against Caffaro for land pollution for an estimated amount of approx. Euro 7 million, corresponding to the expected cost for the recovery of these areas. Caffaro proposed before the Lazio Regional Administrative Court (over the period between 2008 and 2012) seven separate appeals, challenging a series of administrative acts (minutes of the conferences of service, notes with which Caffaro was requested to present contaminated waste disposal plans, approval deeds of characterization activities), by which the Commissioner's Office stated that, in the event of non-compliance with the orders issued, claims would be made against Caffaro. These motions were notified also to Secosvim as owner of the Benzoin area, which was therefore summoned before the court in accordance with law.

As the company Caffaro may claim these costs from Secosvim as the owner of the buildings, Secosvim therefore has requested since October 2009 before the Velletri court a prior technical declaration ("ATP") to establish any liability upon Caffaro for the contamination of the Benzoin area, which concluded with the filing of an opinion which confirmed the direct liability of Caffaro for the above-stated contamination.

In the pending rulings by the Lazio Regional Administrative Court, the State Prosecutor requested the court to assess the judicial incompatibility of the appeal decision. On conclusion of the hearing of December 6, 2016, the Lazio Regional Administrative Court consequently adopted separate ordinances (of identical tenor), with which (for each appeal) the President of the Council was requested to file within 90 days documented clarifications with regards to the criminal proceeding pending before the Velletri Court No. 1831/2014. The hearing to discuss these appeals has been postponed multiple times as we await completion of the criminal proceedings. The last hearing was held on June 9, 2021.

With ruling No. 12946/2021 issued on December 15, 2021, the Lazio Regional Administrative Court, following a meeting of the court, rejected the seven separate appeals filed by Caffaro against deeds issued by the Commissioner's Office for the emergency in the area around the Sacco river in the provinces of Rome and Frosinone within the scope of managing the emergency.

This decision was appealed by Caffaro on March 15, 2022.

Secosvim duly entered an appearance, and the hearing was held on December 16, 2022.

The case pending before the Council of State, Sec. IV, under RG. No. 2645/2022 concluded with the judgment published on 14/2/2023, by which the Council of State in judicial proceedings (Section IV), definitively ruling on the appeal, after exonerating INAIL, dismissed it, with Caffaro S.r.l. being ordered to reimburse the costs of the proceedings also in favour of Se.Co.Sv.Im. S.r.l..

Group tax audits

Information is provided below on the most significant tax audits and disputes which, at the date of the present financial statements, concerned Avio S.p.A. and its subsidiaries, with details on the specific disputes and the relative amounts.

A) Avio S.p.A. tax audits and disputes

A.1.) *Settlement notice served on July 28, 2016 for indirect taxes on the transfer of the Aeroengine business unit from Avio S.p.A. to GE Avio S.r.l.*



On July 28, 2016, the Tax Agency notified Avio S.p.A. of a settlement notice for registration, mortgage and cadastral taxes totalling Euro 58,220 thousand, re-categorising the conferment of the Aeroengine business unit from Avio S.p.A. to GE Avio S.r.l., and the subsequent sale of the shares of this latter company, during 2013, as a direct transfer of the business unit and, consequently, raised the alleged non-payment of the indirect taxes applicable to the above declared transfer of the business unit.

Convinced that there were extremely valid arguments for considering the charges brought by the revenue authorities to be baseless, Avio S.p.A. - in coordination with the General Electric Group, jointly appearing with Avio S.p.A. - appealed the aforementioned settlement notice. The Piedmont Regional Tax Commission decided in the company's favour in judgment 1740/18 filed on November 7, 2018, in which it granted the Company's appeal in full.

In 2020 the Italian Tax Office appealed the above judgment before the Court of Cassation. The Company appeared promptly in the proceedings with its own counter-appeal and simultaneous cross-appeal, reaffirming the soundness of its arguments.

With regards to this dispute, on the basis of specific contractual provisions, the General Electric Group is required to indemnify Avio S.p.A. for any liabilities which may arise with regards to the indirect taxes relating to the disposal of the company GE Avio S.r.l. (containing the AeroEngine segment operations of the Avio Group), in addition to the provision to Avio S.p.A. of any amounts requested by the Tax Agency by the established payment deadlines. In this regard, on August 12, 2016, following the notification from the Tax Agency to Avio S.p.A. of the settlement notice for a total of Euro 58,220 thousand, GE Italia Holding S.p.A. confirmed to Avio S.p.A. its punctual fulfilment of the above contractual stipulations. In view of that above, and particularly the notification of the above-stated settlement notice which quantifies the alleged indirect taxes as Euro 58,220 thousand, in addition to the above payments of the contractually established indemnities and confirmed subsequently to the settlement notice at issue, a tax payable was recognised to the financial statements in relation to the liabilities which may arise from the dispute regarding the settlement notice and a corresponding receivable from the General Electric Group recorded for the same amount of Euro 58,220 thousand.

With regard to the litigation in question, and in particular the subject-matter of the dispute, relating to the anti-avoidance provision of Article 20, headed "Interpretation of acts", of Presidential Decree No. 131/1986 ("Consolidated Registration Tax Act"), mention should be made of some circumstances post-dating the service of the payment notice. Specifically:

- the 2018 Budget Law (see Article 1, paragraph 87, letter a), of Law 205 of December 27, 2017) amended, with effect from January 1, 2018, Article 20 of the Consolidated Registration Tax Act, limiting the ability of the revenue authorities to reclassify acts subject to registration;
- the 2019 Budget Law (see Article 1, paragraph 1084, of Law 145 of December 30, 2018) attributed retroactive effect to the provision introduced by the 2018 Budget Law, which therefore should apply to payment notices - including that served on the Company - served in years prior to 2017;
- on July 21, 2020 Italy's Constitutional Court (see judgment no. 158) ruled that there was no basis for the challenges of the constitutionality of Article 20 of the Consolidated Registration Tax Act, holding that the statute is intended to reaffirm the "transaction tax" nature of registration tax, and clarifying the object of taxation in accordance with the structure of a levy on the legal effects of the legal transaction presented for registration, without the revenue authorities being able to attach relevance to extratextual elements and linked legal transactions devoid of any textual connection with the transaction in question;
- on September 17, 2020 the Central Directorate of the Tax Agency published official clarification (see reply no. 371) in which, acknowledging the above ruling by the Constitutional Court, it clarified that "*the sale of company quotas preceded by the contribution of a business line cannot be taxed on a par with the sale of a company as a whole on the basis of the provisions of Article 20 of the Consolidated Income Tax Act.*"

The Court of Cassation hearing has been scheduled for 08/10/2024.

A.2) Questionnaire of the Piedmont DRE of June 4, 2019 concerning transfer prices between Avio S.p.A. and Regulus S.A. - 2014 Tax period

In November 2019, the Piedmont Tax Agency served two separate assessment notices on the Company, respectively for IRES and IRAP, in relation to the 2014 tax year, concerning the application of "transfer pricing" tax regulations to transactions between Avio S.p.A. and its subsidiary Regulus S.A., on the assumption that the latter is a tax resident in French Guiana.

With regard to the IRES assessment notice, it should be noted that, pending the settlement procedure, the Company has asked the Office to be able to offset the greater taxable profit assessed against unused prior tax



losses. Granting the Company's request, in July 2020 the Office recalculated the greater IRES assessed for 2014 (and related interest), reducing it to zero and levying a single administrative fine of Euro 1,250.00.

With regard to the IRAP assessment notice, since the value of production adjusted by the Office is still negative, no tax was recovered and a fixed penalty of Euro 250.00 was levied. Therefore, the liability associated with this dispute amounts to a total of Euro 1,500.

In June 2020, the Company filed timely appeals of two notices of assessment of IRES and IRAP taxes, being confident of the correctness of its actions and considering that it has acted in full compliance with the law.

In a ruling filed on June 24, 2022, the Turin Provincial Tax Commission upheld both of the Company's appeals concerning IRES and IRAP, citing the calculation of comparables performed by the Turin regional office and noted that the determination of the range of transfer prices was manipulated by that office without cause and in a debatable manner, whereas the documentation provided by the Company met the criteria set by OECD guidelines for determination of "normal value" as specified under Article 9(3) of the Consolidated Income Tax Law.

In January 2023, the Piedmont Regional Directorate of the Tax Agency appealed the ruling of the Turin Provincial Tax Commission. The Company promptly took action, with the support of its consultants, to counter the Agency's appeal and request confirmation of the first instance ruling. At June 30, 2024 the company awaits the judgement.

B) Se.Co.Sv.Im. S.r.l. - Tax audits and disputes

The following is a brief description of the tax disputes of Se.Co.Sv.Im. S.r.l. and of the main related contingent liabilities.

B.1) Tax disputes with the Municipality of Segni relating to property tax (ICI).

2011: the dispute for the year in question concerns property tax, interest and penalties levied for a total of Euro 57 thousand.

Se.Co.Sv.Im., following an unsuccessful settlement procedure, appealed to the Rome Provincial Tax Commission, which in June 2018 rendered a judgment unfavourable to the Company.

In February 2019 Secosvim lodged a timely appeal against the unfavourable judgment rendered by the Rome Provincial Tax Commission.

In the ruling dated October 11, 2022, the Lazio Regional Tax Commission rejected the appeal brought by the Company, which decided not to appeal to the Court of Cassation.

2012 and 2013: the dispute for the years in question concerns property tax, interest and penalties levied for a total of Euro 14 thousand.

In July 2018, Secosvim lodged a complaint/appeal with the Rome Provincial Tax Commission.

The Rome Provincial Tax Commission rejected the Company's claims in a judgment filed in December 2019.

The Company promptly appealed the above judgment in September 2020 and is now awaiting the fixing of the appeal hearing by the Lazio Regional Tax Commission.

B.2) Correction and settlement of increased registration, mortgage and land taxes from the reclassification as the disposal of a business, with related recalculation of goodwill relating to the business unit, of the transfer of the "Energia Colleferro" business unit to Termica Colleferro S.p.A. and the subsequent transfer of the investment in this latter to the indirect parent company Avio S.p.A..

In relation to the transfer of the "Energia Colleferro" business unit to Termica Colleferro S.p.A. and the subsequent transfer of the investment in this latter to the indirect parent company Avio S.p.A., the Bologna Tax Office had served:

- a) a settlement notice for greater registration, mortgage and property registry taxes arising from the re-characterisation of the transaction as the sale of a company, for a total of Euro 142 thousand;
- b) an adjustment notice relating to the redetermination of the value of the goodwill attributable to the business unit subject to the purported company sale, for a total of Euro 16 thousand.

The dispute concerning the document referred to in *point a)* was resolved in the Company's favour in both the first and second instances. Accordingly, on December 2, 2019 the Italian Tax Office filed an appeal against the judgment of the Emilia Romagna Regional Tax Commission before the Court of Cassation.

On January 24, 2020 the Company appeared promptly in the proceedings, filing its own counter-appeal.

The Court of Cassation has yet to schedule a hearing.



The dispute concerning the document referred to in *point b)* was resolved in the Company's favour in the first instance, whereas in the second instance in December 2018 the Emilia Romagna Regional Tax Commission suspended the trial pending the resolution of the dispute indicated in *point a)* above. The Tax Court of Second Instance of LAZIO Section 4 in a hearing on 05/03/2024 dismissed the appeal. The company is considering filing a cassation appeal against judgment No. 2325/2024.

C) Spacelab S.p.A. (ex ELV S.p.A.) - Tax audits and disputes.

It should be noted that this company had not been and is not involved in any tax audits or disputes at the reporting date.

D) Europropulsion S.A. - Tax audits and disputes.

Europropulsion was subject to a Tax Assessment by the French Tax Authorities with regards to the "*taxe professionnelle*" (an indirect tax adopted in France similar to the Italian IRAP) on ESA assets provided for use by the Company initially for tax years 2009, 2010 and 2011 and subsequently for 2012 and 2013.

The amounts contested are:

- for the years from 2009 and 2011, initially amounting to Euro 1.6 million, paid by the company in 2014. This amount was thereafter reduced to Euro 0.9 million following the recognition of partial relief of Euro 684 thousand by the French tax authorities;
- for the years 2012 and 2013 amounting to approx. Euro 250 thousand.

For the years 2009-2011, Europropulsion presented a first level appeal at the competent Tax Court, which judged against the company; the Company appealed this decision on September 9, 2016.

With judgment of November 11, 2017, the competent French tax authorities cancelled the challenge concerning financial year 2010.

In the course of the legal procedure, it bears mentioning that in 2020 the judicial authority, known as the "Conseil d'Etat", declared the use of ESA assets subject to taxation according to an interpretation of the spirit of the tax law, referring the judgment to the next level, in accordance with the French legal system.

The last instance judgment was issued by the "*Cour Administrative d'Appel de Paris*" and was unfavourable for the Company. In view of the judgment rendered in 2020 and 2021 and the opinion of its legal counsel, in its 2020 and 2021 financial statements the Company decided to recognise the total amount of the tax liability associated with the matter for the years 2009 to 2020, which was recalculated and estimated at approx. Euro 4 million. Therefore, the financial statements of these joint ventures at June 30, 2024, still reflect this allocation.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Fair value of financial assets and liabilities and calculation models utilised

In relation to any financial instruments recorded in the balance sheet at fair value, IFRS 7 requires that these values are classified based on the hierarchy levels which reflects the significance of the input utilised in the determination of fair value. The following levels are used:

- level 1 - assets or liabilities subject to valuation listed on an active market;
- level 2 - input based on prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- level 3 - input which is not based on observable market data.

The company and the Avio Group did not have derivative financial instruments in place at June 30, 2024.

Types of financial risks and related hedging

The Avio Group through its operating activities is exposed to financial risks, in particular:

- credit risks, related to commercial transactions with customers and funding operations;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- market risks;
- interest rate risk



These financial risks are continually monitored, undertaking initiatives to offset and contain potential impacts through appropriate policies and, where in general considered necessary, also through specific hedging instruments (currently not necessary as the loan interest rate with the EIB is fixed and competitive compared to the market).

Credit Risk

Credit risk represents the exposure of the Company and of the Group to potential losses due to the non-compliance with obligations by commercial and financial counterparties.

The exposure to credit risk is essentially related to receivables recognised to the financial statements, particularly trade receivables and guarantees provided in favour of third parties.

The maximum theoretical exposure to the credit risk for the Group at June 30, 2024 essentially concerned the overall carrying amount of trade receivables, whose value at this date amounted to Euro 2,965 thousand.

This amount was recognised to the Assets section of the Balance Sheet, as the net balance between the nominal value of trade receivables and, as counter-entry, advances to be received.

Regarding the reasons for the exposure to credit risk represented by receivables net of "advances to be repaid", in accounting terms, the issuing of invoices involves as a counter-entry, against the recognition of an asset from the customers, the recognition of a liability concerning the advances to be received. These are both recognised to the balance sheet. The ageing analysis therefore is made net of the above-stated advances.

The main Group clients are government bodies and public sector clients, which by their nature do not present significant risk concentrations (European Spatial Agency, Arianespace, Airbus Safran Launchers).

In addition, operating on an order basis, the Avio Group plans the management of advances so as to attain the funding before and during the incursion of order costs, on the basis of the various contractual milestones and mitigating therefore the risk regarding the payment of receivables against the initiated production activities.

Based on an analysis of overdue trade receivables at June 30, 2024, trade receivables net of a doubtful debt provision were recorded of Euro 486 thousand. The overdue amounts were therefore not significant and mainly relate to timing factors.

Liquidity risk

The Company and Group's liquidity risk concerns any difficulties in obtaining at appropriate conditions the funding necessary to support operations. The principal factors which influence liquidity are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the conditions concerning the maturity of the payable or the liquidity of the financial commitments.

Cash flows, funding requirements and liquidity are centrally monitored and managed, also through centralised treasury systems involving the main Group Italian and overseas companies, in order to ensure the timely and efficient sourcing of funding or the appropriate investment of liquidity, optimising the management of liquidity and cash flows. The Group periodically monitors forecast and effective cash flows and updates future cash flow projections in order to optimise liquidity management and calculate any funding requirements.

The currently available funds, in addition to those that will be generated from operating and financial activities, are considered sufficient to permit the Group to satisfy its requirements for investment activities, working capital management and the repayment of debt on maturity.

Market risk

With regards to the current financial structure of the Company and of the Group and the fact that the operating currency is almost exclusively the Euro, the company is not considered to currently be subject to significant market risks from fluctuations in exchange rates or interest rates on financial receivables and payables.

The Company and the Group, considering that stated with regards to the insignificant market risk related to exchange rate and interest rate movements, at June 30, 2024 had not undertaken specific cash flow hedges in relation to these types of risks.



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Interest rate risk

The company has two loans with the European Investment Bank (EIB) for an original total of Euro 50 million (Euro 7 million remaining), at a competitive interest rate compared to the market.

Therefore, this risk is not considered applicable to the Company and, therefore, to the Avio Group.

7. RELATED PARTY TRANSACTIONS

Avio regularly undertakes commercial and financial transactions with its subsidiaries and jointly-controlled companies, consisting of transactions relating to ordinary operations and undertaken at normal market conditions. In particular, these concern the supply and purchase of goods and services, including of an administrative-accounting, tax, IT, personnel management and assistance and consultancy nature, and the relative receivables and payables at period-end and funding and centralised treasury management transactions and the relative charges and income. These transactions are eliminated in the consolidation and consequently are not outlined in this section.

The related parties of the Avio Group are identified on the basis of IAS 24 - *Related Party Disclosures*, applicable from January 1, 2011, and are the parent companies, companies with a connection with the Avio Group and its subsidiaries as defined by the applicable rules, companies controlled but not consolidated within the Avio Group, associates and jointly-controlled companies of the Avio Group and other investee companies.

Until the effective acquisition date by Space2, Leonardo and In Orbit (on March 31, 2017), Leonardo - on the basis of rights arising under the Cinven shareholder agreement - had a connection with the Avio Group, although formally holding an investment in the Incorporated company under the threshold established by the IAS and Article 2359 of the Civil Code, final paragraph. Following the listing, although the shareholder agreement with Cinven had lapsed, Leonardo S.p.A. maintained this connection with the Avio Group on the basis of the increase of its investment in the Incorporated company over the threshold established by the above-stated rules.

The following tables present the quantification of transactions with related parties not falling within the Group consolidation on the Balance Sheet and on the Group Income Statement at June 30, 2024 and December 31, 2023 (in Euro thousands):

Counterparty	June 30, 2024										
	Right-of-use assets	Other non-current assets	Inventories and Advances to suppliers	Trade receivables	Other current assets	Work in progress to order	Non-current financial assets	Trade payables	Other current liabilities	Advances from clients for contract work-in-progress	Financial liabilities
Leonardo S.p.A.	-	-	720	-	-	-	-	3,270	67	-	-
MBDA Italia S.p.A.	-	-	-	-	-	3,023	-	-	-	9,610	-
MBDA France S.A.	-	-	-	135	-	15,578	-	-	-	49,799	-
Thales Alenia Space Italia S.p.A.	-	-	-	-	-	-	-	790	-	115	-
Companies with a connecting relationship and relative investee companies	-	-	720	135	-	18,601	-	4,060	67	59,724	-
Termica Colleferro S.p.A.	770	-	-	850	-	-	2,010	716	-	-	753
Europropulsion S.A.	-	-	61,561	63	-	102	-	11,395	-	55,095	-
Potable Water Services Consortium	-	-	-	278	46	-	-	77	-	-	-
Servizi Colleferro - Consortium Limited Liability Company	-	-	-	136	-	-	-	741	-	-	-
Associates and jointly controlled companies	770	-	61,561	1,327	46	102	2,010	12,929	-	55,095	753
Total related parties	770	-	62,281	1,462	46	18,703	2,010	16,989	67	114,619	753
Total book value	8,425	66,330	304,121	2,965	7,546	143,967	2,010	114,845	30,906	446,080	14,284
% on total account items	9.14%	0.00%	20.48%	49.31%	0.61%	12.99%	100.00%	14.79%	0.22%	25.69%	5.27%

December 31, 2023											
Counterparty	Right-of-use assets	Other non-current assets	Inventories and Advances to suppliers	Trade receivables	Other current assets	Work in progress to order	Non-current financial assets	Trade payables	Other current liabilities	Advances from clients for contract work-in-progress	Financial liabilities
Leonardo S.p.A.	-	-	900	-	-	-	-	2,263	125	-	-
MBDA Italia S.p.A.	-	-	-	-	-	4,549	-	-	-	8,560	-
MBDA France S.A.	-	-	-	135	-	11,159	-	-	-	47,521	-
Thales Alenia Space Italia S.p.A.	-	-	-	-	-	-	-	350	-	120	-
Companies with a connecting relationship and relative investee companies	-	-	900	135	-	15,708	-	2,613	125	56,202	-
Termica Colleferro S.p.A.	839	-	1,900	812	-	-	2,010	1,639	-	-	833
Europropulsion S.A.	-	-	63,696	89	-	854	-	558	-	22,935	-
Potable Water Services Consortium	-	-	-	204	31	-	-	(36)	-	-	-
Servizi Colleferro - Consortium Limited Liability Company	-	-	-	48	-	-	-	516	-	-	-
Associates and jointly controlled companies	839	-	65,596	1,152	31	854	2,010	2,678	-	22,935	833
Total related parties	839	-	66,496	1,288	31	16,562	2,010	5,291	125	79,137	833
Total book value	8,513	67,600	284,427	2,944	7,037	123,473	2,010	113,159	28,973	452,830	19,461
% on total account items	9.85%	0.00%	23.38%	43.74%	0.44%	13.41%	100.00%	4.68%	0.43%	17.48%	4.28%

In H1 2024 and H1 2023, the main income statement transactions by the Group with related parties were as follows (in Euro thousands):

H1 2024					
Counterparty	Operating Revenues and changes in contract work-in-progress	Other operating income	Operating Costs ⁽¹⁾	Financial income	Financial Charges
Leonardo S.p.A.	-	-	1,320	-	-
MBDA Italia S.p.A.	3,909	-	-	-	-
MBDA France S.A.	25,262	-	-	-	-
Thales Alenia Space Italia S.p.A.	-	-	-	-	-
Companies with a connecting relationship and relative investee companies	29,170	-	1,320	-	-
Termica Colleferro S.p.A.	1	58	3,581	-	5
Europropulsion S.A.	27,052	114	38,527	-	-
Potable Water Services Consortium	22	14	129	-	-
Servizi Colleferro - Consortium Limited Liability Company	108	14	646	-	-
Associates and jointly controlled companies	27,183	200	42,883	-	5
Total related parties	56,353	200	44,203	-	5
Total book value	210,606	5,261	204,524	280	401
% on total account items	26.76%	3.80%	21.61%	0.00%	1.25%

⁽¹⁾ The account includes raw material consumables, service costs and personnel expenses.

H1 2023					
Counterparty	Operating Revenues and changes in contract work-in-progress	Other operating income	Operating Costs ⁽¹⁾	Financial income	Financial Charges
Leonardo S.p.A.	-	-	913	-	-
MBDA Italia S.p.A.	1,267	-	-	-	-
MBDA France S.A.	15,803	-	-	-	-
Thales Alenia Space Italia S.p.A.	38	-	-	-	-
Companies with a connecting relationship and relative investee companies	17,108	-	913	-	-
Termica Colleferro S.p.A.	2	38	3,271	-	6
Europropulsion S.A.	80	133	8,987	-	297
Potable Water Services Consortium	24	14	259	-	-
Servizi Colleferro - Consortium Limited Liability Company	118	13	668	-	-
Associates and jointly controlled companies	223	198	13,185	-	303
Total related parties	17,331	198	14,098	-	303
Total book value	157,721	5,415	162,808	897	687
% on total account items	10.99%	3.66%	8.66%	0.00%	44.16%

⁽¹⁾ The account includes raw material consumables, service costs and personnel expenses.

Transactions with companies with a connecting relationship and relative investee companies

Transactions with Leonardo S.p.A. and its investee companies are of a commercial nature. With regards to the customer MBDA Italia S.p.A., the guarantees issued by leading credit institutions cover prompt compliance with the contractual obligations undertaken by Avio, mainly for the Camm-er orders. Their release is based on completion of the relative contractual milestones.

Transactions with associates, jointly-controlled companies and non-consolidated subsidiaries

Company transactions with associates and jointly-controlled companies may be summarised as follows:

- trade receivables, relating to revenues from the sale of company core business products, as part of ordinary operations and concluded at normal market conditions. In particular, with regard to the company Europropulsion S.A., revenues are included from the sale of company core business products, as part of ordinary operations and concluded at normal market conditions.
- financial receivables, relating to short and long-term financial receivables from Termica Colleferro S.p.A.;
- trade payables, relating to costs incurred as part of ordinary operations and relating to transactions concluded at normal market conditions; in addition, with reference to the company Europropulsion S.A., costs incurred as a result of transactions within ordinary operations and concluded at normal market conditions are included;
- financial payables, relating to the short-term financial payables of Avio S.p.A. to Termica Colleferro S.p.A.;
- revenues, relating to the transactions described previously with regards to trade receivables;
- operating costs, relating to the transactions described previously with regards to trade payables;
- financial income, related to interest on the financial receivables previously stated.

Relations with the non-consolidated subsidiaries concern Servizi Colleferro S.C.p.A, mainly related to the service provided by this company for the collection and purification of the waste water of the companies operating at the Colleferro facilities.

Transactions with other related parties

Group transactions with other related parties concern the following operations:

- trade receivables, relating to revenues from the sale of Group core business products, as part of ordinary operations and concluded at normal market conditions.
- revenues, relating to the transactions described previously with regards to trade receivables.



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8. LIST OF GROUP COMPANIES AT JUNE 30, 2024

The following table presents the key details of Avio Group investees at June 30, 2024:

Companies included in the consolidation scope at June 30, 2024			Holding
Parent			
<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>% Held</i>
Avio S.p.A.	via Leonida Bissolati, 76 - Rome	Euro 90,964,212.90	N/A
Companies consolidated by the line-by-line method			
<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>% Held</i>
Spacelab S.p.A.	via Leonida Bissolati, 76 - Rome	Euro 3,000,000.00	70%
Regulus S.A.	Centre Spatial Guyanais - BP 0073 97372 Kourou (French Guyana - France)	Euro 640,000.00	60%
SE.CO.SV.IM. S.r.l.	Via degli Esplosivi, 1 - Colleferro (RM)	Euro 53,929,691.00	100%
Avio Guyane S.A.S.	Centre Spatial Guyanais - BP 506 97388 Kourou (French Guyana - France)	Euro 50,000.00	100%
Avio France S.A.S.	3 Rue du Colonel Moll - 75017 Paris (France)	Euro 50,000.00	100%
Temis S.r.l.	Via Gaetano Donizetti, 20 - Corbetta (Milan)	Euro 100,000.00	100%
Avio USA Inc.	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of Newcastle, Delaware 19801 (USA)	6.00 (USD)	100%
Avio India Aviation Aerospace Private Limited (*)	Pitampura Delhi North West (India)	INR 16,060,000	100%
Jointly controlled companies, measured at equity			
Europropulsion S.A.	11, rue Salomon de Rothschild 92150 Suresnes 388 250 797 RCS Nanterre	Euro 1,200,000.00	50%
Associates, measured at equity			
Termica Colleferro S.p.A.	Via degli Agresti, 4 and 6 Bologna	Euro 6,100,000.00	40%

(*) The company is in liquidation. No financial commitments are expected for the Group related to the liquidation.

9. INFORMATION ON PUBLIC GRANTS PURSUANT TO ARTICLE 1, PARAGRAPH 125-129, OF LAW NO. 124/2017

The following information is provided in accordance with the public disclosure requirements imposed by public grant legislation: This disclosure concerns, as required by the regulation, disbursements accruing in H1 2024:

Avio S.p.A.

Grants under Law No. 808 of December 24, 1985 "Incentives for the development and improved competitiveness of the aerospace sector industries"

Disbursing PA	Project	Years_costs Project	Loans issued in 2024	Collection date	Ministry for Economic Development
			(€ / mln)		(€ / mln)
Ministry for Economic Development	80-ton solid propellant engine - P80	2006-2008	-	-	0.00
Ministry for Economic Development	80-ton solid propellant engine - P80	2009	-	-	0.00
Ministry for Economic Development	80-ton solid propellant engine - P80	2010	-	-	0.00
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2009	-	-	0.00
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2010	0.31	21.05.2024	0.00
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2011-2012	0.27	21.05.2024	0.00
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2012-2013	0.91	21.05.2024	0.30
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2014-2015	0.6	21.05.2024	1.04
Ministry for Economic Development	Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines	2016-2017	0.73	21.05.2024	1.03
Ministry for Economic Development	LOX/LCH technology demonstrator for the first stage of the Vega E launcher	2014-2016	0.35	14.05.2024	0.47
			3.17		2.84

"Receivables from the Ministry for Economic Development" for disbursements in accordance with Law 808/85, amounting to Euro 2.84 million, refer to the nominal value of the grants to be issued by the Ministry for Economic Development.

The amounts by Project are broken down as follows: Euro 2.37 million for the “Innovative, strategic carbon epoxy prepreg materials and modified elastomeric thermal insulation formulated and produced within Italy for filament winding applied to 40T space engines” project; Euro 0.47 million for the “LOX/LCH demonstrated technology for the third stage of the Vega E launcher” project.

These receivables are recorded in the accounts at the value resulting from the application of the amortised cost method, calculated utilising the effective interest rate, and are increased due to the effect of the accumulated amortisation of the difference between the initial value and the actual cash amounts and booked in the accounts under “Financial income”.

Other grants

Lender	Project	Years_costs Project	Loans issued in 2024	Collection date	Nominal receivable to be collected
			(€ / mln)		(€ / mln)
European Commission	Enlighten (HEurope)	NA	1.09	05/04/2024	NA
Lazio Region Lazio Innova	Amoi	NA	1.04	18/04/2024	NA

Other Italian companies in the Avio Group

The Avio Group's other Italian companies did not receive any public disbursements in this fiscal year.

As reported in the explanatory notes in relation to current assets for tax receivables, the Avio Group benefits from facilities such as tax credits for research and development, tax credits for generic technological innovation, and tax credits for the acquisition of generic and Industry 4.0 capital goods.



10. SUBSEQUENT EVENTS TO THE PERIOD-END

Business

ESA resolution for the commercialisation of the Vega launcher by Avio

By resolution on July 5, 2024, the European Space Agency (ESA) laid the foundations for the commercialisation of the Vega launcher, developed by its prime contractor, Avio, on behalf of ESA⁴¹.

ESA Member States are finalising the changes needed to the framework governing the exploitation of Agency-developed launchers to allow for Avio to become a Vega launch service provider.

Arianespace and Avio have agreed that Arianespace will remain the launch service provider and operator for Vega and Vega-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025.

Successful maiden launch of Ariane 6

On July 9, 2024, the Ariane 6 launcher successfully made its maiden flight⁴², taking off from the French Guyana Space Centre and placing multiple payloads into orbit.

Avio contributes to the Ariane 6 programme by supplying the P120C solid-propellant boosters, and liquid-oxygen turbo pumps for the Vulcain 2.1 main stage engine and the Vinci upper stage engine. The P120C engines delivered an excellent performance. In the future, Avio will continue to supply P120C boosters that will be used in a dual configuration as for this flight, or four to carry larger loads.

Avio is already working on a more powerful version of the boosters, called the P160, which will increase the thrust of the launcher and consequently also its load capacity. This may be used, for example, to carry out missions to orbit Amazon's Kuiper satellite constellation.

Avio launches partnership with Raytheon (RTX) and the US Army

On July 23, 2024, Avio announced that it had signed a contract with Raytheon, a division of RTX (NYSE: RTX), a leader in defence solutions for the US government and its allies, to begin and advance the development of solid propellant engines for defence. The contract lays the foundation for the engineering work required to start production of these engines⁴³.

Avio's planned investments in resources and production capacity help meet immediate customer demand. Avio will be able to utilise the existing capacity of its Italian production and engineering teams to support Avio USA's growth and facilitate its strategy for solid-propellant engine production. Avio USA is a subsidiary of Avio in the United States with headquarters in Arlington, Virginia.

On the same date, Avio announced that AVIO S.p.A. and the U.S. Army Combat Capabilities Development Command Aviation & Missile Center are entering into a partnership to develop and prototype a solid-propellant thruster for surface-to-air applications. The project draws on the experience of both parties to qualify the propulsion system with a production-orientated design approach, offering the possibility of a transition to production in the future⁴⁴.

Success for the final launch of Vega, replaced by Vega C

On September 5, 2024, Vega successfully launched the Earth observation satellite Sentinel-2C as part of the European Commission's Copernicus programme. The satellite was released into a heliosynchronous orbit at an

⁴¹ See also the press release dated July 5, 2024 at the link:

<https://www.avio.com/it/comunicati-stampa/le-decisioni-del-consiglio-esa-pongono-le-basi-servizi-di-lancio-europei-piu>

⁴² See also the press release dated July 9, 2024 at the link:

<https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

⁴³ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-raytheon-rtx-produzione-di-motori-propellente-solido>

⁴⁴ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-lesercito-degli-stati-uniti>



Half-Year Report at June 30, 2024

altitude of approximately 775 kilometres. The Sentinel-2C satellite is capable of obtaining high-resolution multispectral images for numerous applications, including agriculture, water quality monitoring, natural disaster management (such as fires, volcanic eruptions and floods) and methane emission detection⁴⁵.

After 12 years of service, 22 launches and more than 120 satellites released into space, the Vega launcher is now retiring and its legacy will continue with its successor the Vega C launcher from the next launch before the end of 2024.

Establishment of Avio S.p.A. branch in France

On July 30, 2024, an Avio branch was set up and registered on August 29, 2024 at the Nanterre Companies Register, based in Boulogne-Billancourt. Its main scope is the commercialisation of launch services, in order to strengthen discussions and collaboration with local institutions.

• • •

September 11, 2024

The BOARD OF DIRECTORS
The Chief Executive Officer and General Manager
Giulio Ranzo

⁴⁵ See press release of September 5, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Avio S.p.A.

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of Avio S.p.A. and subsidiaries (the "Avio Group"), which comprise the balance sheet as of June 30, 2024 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of the half-yearly consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements of the Avio Group as at June 30, 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, Italy
September 11, 2024

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



Half-Year Report at June 30, 2024

Declaration of the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements

1. The undersigned Giulio Ranzo and Alessandro Agosti, respectively CEO and Executive Officer for Financial Reporting of Avio S.p.A. declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
 - the conformity in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the drawing up of the condensed consolidated half-year financial statements in the period between January 1 and June 30, 2024.

2. In this regard, we note that:
 - the adequacy of the administrative and accounting procedures to prepare the condensed consolidated financial statements for the six months ending June 30, 2024 was verified by evaluating the Internal Accounting Control System on financial disclosure
 - this assessment utilised the criteria established in the "Internal Controls - Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO");
 - no significant issues were identified in the assessment of the internal control system.

3. We also declare that:
 - 3.1 The condensed interim consolidated financial statements:
 - a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
 - b) correspond to the underlying accounting documents and records;
 - c) provide a true and fair view of the equity, economic and financial position of the issuer and of the other companies in the consolidation scope.

 - 3.2 The Directors' Report includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed consolidated half-year financial statements, with a description of the principal risks and uncertainties to which the Group is exposed, in addition to the subsequent events and outlook. It also contains a reliable analysis of the significant transactions with related parties.

Date: September 11, 2024

Avio S.p.A.

Giulio Ranzo
Chief Executive Officer
(Signed)

Alessandro Agosti
Executive Officer for Financial Reporting
(Signed)