

**DISCLOSURE DOCUMENT CONCERNING A SIGNIFICANT TRANSACTION WITH  
A RELATED PARTY**

**NOVEMBER 20, 2024**

THIS DOCUMENT HAS BEEN DRAWN UP AS PER ARTICLE 5 OF THE “*RELATED PARTY TRANSACTIONS REGULATION*” ADOPTED THROUGH CONSOB RESOLUTION No. 17221 OF MARCH 12, 2010, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED, AND IN COMPLIANCE WITH ANNEX 4 OF THE REGULATION, CONCERNING THE SIGNING OF A SUPPLY CONTRACT BETWEEN AVIO S.P.A. - AS SUPPLIER - AND THE COMPANY MBDA ITALIA S.P.A. AS THE BUYER.

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## **Introduction**

This disclosure document (the “**Disclosure Document**”) has been prepared and is published by Avio S.p.A. (“**Avio**” or also the “**Company**”), with registered office in Rome (RM), via Leonida Bissolati No. 76.

The Company's shares are listed on the Euronext STAR Milan segment - organised and managed by Borsa Italiana S.p.A. - in accordance with Article 5 of the “*Related party transactions regulation*” adopted with Consob Resolution No. 17221 of March 12, 2010, as subsequently amended and supplemented (the “**RPT Regulation**”), in addition to Annex 4 of the RPT Regulation.

The principles and rules set out in the RPT Regulation have been incorporated into the “Related Party Transactions Policy” approved by Avio's Board of Directors, in its latest version, on January 26, 2024 (“**RPT Policy**”).

The Disclosure Document refers to the signing of a contract, on 27 November 2024 (the “**Contract**”), concerning the supply - by Avio in favour of the company MBDA Italia S.p.A. - of propulsion engines (hereinafter also “**engines**”) for CAMM-ER (Extended Range) missiles produced within the MBDA Group, as well as certain technology transfer activities concerning a part of the manufacturing of the aforementioned propulsion systems (the “**Transaction**”).

For a detailed description of the Contract, please refer to paragraph 2 of this Disclosure Document.

### **1. NOTICES**

#### **1.1. RISKS CONCERNING POTENTIAL CONFLICTS OF INTEREST ARISING FROM THE SIGNING OF THE AGREEMENT**

The above-described Transaction is categorised as a significant Related Party Transaction of the Company, and gives rise therefore to risks of potential conflicts of interest, as is normal for such transactions, principally with regards to the interest and the benefit for the Company in the Contract, in addition to the appropriateness and substantial correctness of the relative conditions.

In view of such, the Company considers the Transaction to be in the interest of Avio and not to compromise its capital position.

It should be noted that Mr. Soccodato, as *Executive Group Director Sales & Business Development and Managing Director* of MBDA Italia, as well as a member of Avio's Board of Directors, abstained from voting on the resolution to approve the Binding Offer at the July 21, 2023 and July 24, 2024 Board of

Directors' meetings, after declaring that he has an interest in such pursuant to Article 2391 of the Civil Code.

Likewise, at the November 20, 2024 meeting of Avio's Board of Directors, he abstained from voting on the resolution to approve the Contract, having declared that he had an interest in such pursuant to Article 2391 of the Civil Code.

## **2. INFORMATION CONCERNING THE TRANSACTION**

### **2.1. KEY FEATURES, MANNER, TERMS AND CONDITIONS OF THE TRANSACTION.**

The Transaction under consideration - which falls within the broader context of the "NAREW" programme through which Poland plans to procure the sophisticated "CAMM-ER" missiles produced by MBDA Italia and for which Avio builds the engines - specifically consists of:

- a.** the supply of 340 complete equipped engines, the supply of 125 non-equipped engines for the integration of the engines with their aerodynamic surfaces, and the supply of 48 "kits" of engines intended for technical tests ("non-deliverable hardware"), for a total negotiated consideration of Euro 57,282,077.34. Based on the Reasoned Opinion provided by Avio's Control and Risks Committee - acting as the Company's Related Parties Committee (the "**RPT Committee**") referred to below, this supply appears to be fall within "*core operations and concluded under market or standard conditions*" ("**Recurring Supply**");
- b.** the supply of goods and services for the progressive transfer of technology to Poland - consisting of (i) technical support and training services for the purpose of a joint study between Avio and Mesko (Polish company that will produce the engines based on the technology transferred from Avio) to verify the technical assumptions underlying the technology transfer plan, whose outcome will form the basis of a new binding offer to be issued to regulate the supply of an additional 1,035 engines, (ii) the supply of specific manufacturing and maintenance equipment for CAMM-ER engines, (iii) the supply of Manufacturing Data Packages, (iv) the performance of fire tests (bench tests of equipped engines) and burst tests on engine casings for compliance with quality assurance requirements, (v) the economic development for technology transfer to Poland, and (vi) the procurement of additional project de-risking equipment, to be installed at Avio's production site in Colleferro, to handle any additional production should Mesko experience difficulties in production ramp-up as a result of the technology transfer - for a total negotiated consideration of Euro 89,587,894.90 Based on the Reasoned Opinion provided by the RPT Committee referred to below, this supply does not appear to be fall within "*core operations and concluded under market or standard conditions*" as a "non-recurring" activity ("**Non-Recurring Supply**");

The contractual process involves:

- Phase 1: Sending of Binding Offer;
- Phase 2: award and signing of Contract between Avio and MBDA Italia.

The RPT Committee considered that the Recurring Supply and the Non-Recurring Supply are undertaken "in execution of a unified design" and thus the Transaction at issue is considered as a "***Significant related party transaction***" within the meaning of Article 4(1)(a) of the Consob Regulation.

In the context of the Transaction, Avio and MBDA Italia have also negotiated a License Agreement - duly authorised by the Prime Minister's Office in December 2023 following the notification made by the Parties under the "golden power" regulation - under which the transfer of technology from Avio to MBDA Italia will be permitted upon signing the Contract.

Based on this licensing agreement, Avio will receive as consideration:

- a.* a "one-off fee" of Euro 14,449,824.03 for know-how transferred to Mesko;
- b.* "royalties" amounting to Euro 4,069,014.24 as the sum of the percentage value requested by Avio for each unit produced in Poland through Avio's technology transfer.

It is specified that these amounts are included in the total price for the Non-Recurring Supply.

**2.2. INDICATION OF THE RELATED PARTIES WITH WHOM THE TRANSACTION IS UNDERTAKEN, THE NATURE OF THE RELATIONSHIP AND, WHERE DISCLOSED TO THE BOARD OF DIRECTORS, THE NATURE AND EXTENT OF THE INTERESTS OF SUCH PARTIES IN THE TRANSACTION.**

Considering that international accounting standards stipulate that:

- a.* "An associate is an entity over which the investor exercises significant influence" (Article 3, IAS 28);
- b.* "In the definition of a related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture" (Article 12, IAS 24)

MBDA Italia is a related party of Avio as Leonardo S.p.A., itself a related party of Avio, is:

- a) on the one hand, an associate of MBDA Italia, as it exercises significant influence over the joint venture AMSH B.V., which in turn holds 100% of the share capital of MBDA Italia's sole shareholder (MBDA S.A.S.);**
- b) on the other hand, an associate of Avio in that it holds a relative majority of its share capital.**

In particular, paragraph 9 of IAS 24 states that "(b) An entity is related to a reporting entity if any of the following conditions apply: [...] (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; [...]"; therefore, applying such to Avio it may be stated that "(b) An entity is related to a reporting entity if any of the following conditions apply: [...] (iv) MBDA Italia is a joint venture of Leonardo S.p.A. and Avio is an associate of Leonardo S.p.A.; [...]".

The Transaction under consideration may not be considered as an ordinary transaction but should be understood as a significant related party transaction as:

- ordinary and market or standard equivalent conditions are met only for Recurring Supplies (worth approx. Euro 57,282,077.34). The Transaction is consistent with Avio's operations, falling within the ordinary course of the Company's operations and related financial activities, and the conditions are equivalent to those applicable to unrelated parties.
- ordinary and market or standard equivalent conditions are not met for Non-Recurring Supplies and technology transfer (worth approx. Euro 89,587,894.90).

As the two supplies may not be split and have to be considered part of a single transaction, the Non-Recurring Supplies and technology transfer are, also quantitatively, prevalent.

The signing of the Contract was deemed to qualify as a significant transaction as:

- in accordance with Article 1.4 of Annex 3 to the RPT Regulation and pursuant to Article 5, paragraph 2 of the RPT Regulation, the results of the significance ratios relating to the Recurring Supply and the Non-Recurring Supply must be added together, as these individual transactions were put in place in execution of a unitary design;
- pursuant to Article 6 of the RPT Policy, the overall significance ratio of the Transaction is above the threshold applicable which, pursuant to Annex 3 to the RPT Regulation (included in the RPT Policy), is 5%.

It should also be noted that the RPT Committee was involved in a timely manner during the negotiation and preliminary phase of the Transaction through the receipt of complete and up-to-date information and specifically:

- (i) on July 10, 2023, the RPT Committee was informed upon the structure of the Transaction and received initial useful information;
- (ii) on July 19, 2023, the RPT Committee, upon receiving the additional details issued its favourable opinion on the Binding Offer, noting at the present time that it was in the company's interest and economically advantageous, as well as substantially fair in its terms, without prejudice to any assessment that the RPT Committee will carry out on the final terms of the Transaction, once defined and before its possible completion.
- (iii) on September 27, 2023, the RPT Committee received further updates on the progress of the Transaction following the submission of the Binding Offer mentioned above;
- (iv) on July 22, 2024, the RPT Committee received information on the modification of the conditions and enforceability of the Binding Offer previously examined and therefore reissued its favourable opinion on the Binding Offer, noting at this time that it was in accordance with the company's interest and economic benefit, as well as the substantive correctness of the related conditions, without prejudice to any assessment that the RPT Committee will carry out on the final terms of the Transaction, once defined and before its possible completion;
- (v) on September 23, 2024, the RPT Committee received further updates on the progress of the Transaction;
- (vi) on November 14, 2024, the RPT Committee, having received full disclosure of the terms and conditions of the Contract, following the award of the Transaction, issued its Reasoned Opinion (set out in Annex 1 to this Disclosure Document) in which it expressed itself in favour of the signing of the Contract ("**Reasoned Opinion**").

### **2.3. INDICATION OF THE ECONOMIC BASIS AND THE BENEFIT FOR THE COMPANY IN THE TRANSACTION.**

The Transaction permits a number of advantages, in terms of the economic basis and benefit for the Company, as it is also part of the broader "Narew" Programme. The Contract in fact will generate business volumes for the Company of approximately Euro 146.9 million and represents the most significant business opportunity for the CAMM-ER product in terms of production volumes and revenues, guaranteeing production visibility for the coming years.

The RPT Committee, in its Reasoned Opinion, also considered that Avio has an interest in signing the Contract as such, as mentioned, is part of the broader "NAREW" programme that is consistent with Avio's operations and offers a development opportunity in the area of the production of CAMM-ER missile thrusters, resulting in the possibility of increasing the volume of defence business on the European market by ensuring production visibility for the coming years.

#### **2.4. MANNER FOR THE ESTABLISHMENT OF CONSIDERATION FOR THE TRANSACTION AND COMPARISONS WITH MARKET VALUES FOR SIMILAR TRANSACTIONS.**

A summary of prices related to the Transaction follows:

Recurring Prices (Euro 57,282,077.34) are calculated at market conditions, based on the agreement for the production of the CAMM-ER Booster and used for supplies already ordered by MBDA Italia, with extrapolation for supplies forecast following the expiration of the agreement (beyond 2030).

Non-Recurring Prices (Euro 89,587,894.90) are broken down as follows, based on the main activities:

1. Study phase for possible subsequent IMC/Ugello transfer: Euro 2,470,950.00. Market prices for Avio personnel continuously travelling to the Polish counterparty site, production of technical publications and preparation of joint business plan.
2. Technical support services: Euro 30,382,678.81. Technical support includes, but is not limited to, the parallel production of "non-deliverable" units to the end customer, but necessary for the ramp-up of the production process. The determination of associated costs may be deduced by its similarity with the cost curve apparent in similar activities at Avio.
3. Training services: Euro 6,188,117.70. Training is two-fold in nature. Polish personnel will first be trained in Italy on Avio's production lines, and then "train-the-trainer" courses will be provided in Poland on Mesko's lines. The costs include, in addition to the direct costs, also the request by the Polish trainees for board and lodging in Italy to perform the contractual activities, and the mission costs of Avio staff in Poland.
4. Provision of Manufacturing Data Packages: Euro 5,266,836.80. "Manufacturing Data Packages" are detailed operating instructions for the on-site manufacture of a specific product. They need to be applied and developed on the basis of a specific production layout, requiring interaction with the counterparty, specific and detailed design of the production flow, cycles and control stations, with checks for homogeneity of the cycle defined in Poland with respect to the original in Italy.
5. Provision of specific equipment (as defined above): Euro 26,760,473.32. Of which:
  - a) Euro 19,416,974.71 for equipment for Mesko. The price is inclusive of installation and testing costs at the production site in Poland.
  - b) Euro 7,343,498.61 for equipment for the Avio site in Colleferro.
6. One-off fees: Euro 14,449,824.03. The fees were calculated on the basis of expected profits in the event that the assets gradually transferred to Mesko were retained at Avio.
7. Royalties: Euro 4,069,014.24. The royalties calculated on the value of the activities undertaken by Mesko as 1.5% of the integration activities and 4% of the propellant casting activities respectively.



These values are in line with standard technology transfer royalty values, normally ranging from 1.5% (limited transfer) to 9% (full transfer).

**2.5. ILLUSTRATION OF THE ECONOMIC, EQUITY AND FINANCIAL EFFECTS OF THE TRANSACTION, PROVIDING AT LEAST THE APPLICABLE SIGNIFICANCE RATIOS.**

The Transaction covered by this Disclosure Document is considered, pursuant to and for the purposes of the RPT Policy, a Significant related party transaction, as the subject of the Transaction and the total amount - as set out in paragraph 2.2 - is higher than the threshold of 5% of the countervalue materiality ratio, i.e., the ratio of the countervalue of the Transaction to the capitalisation of the Company at the close of the last open market day included in the period covered by the most recently published periodic accounting document.

**2.6. IMPACT OF THE TRANSACTION ON THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY AND/OR OF THE SUBSIDIARIES**

At the date of this Disclosure Document, the execution of the Transaction shall not impact on the remuneration of the members of the Board of Directors of the company and/or of the subsidiaries.

**2.7. INFORMATION CONCERNING THE FINANCIAL INSTRUMENTS OF THE COMPANY HELD BY MEMBERS OF THE MANAGEMENT AND CONTROL BOARDS, GENERAL MANAGERS AND EXECUTIVES OF THE ISSUER INVOLVED IN THE TRANSACTION AND THEIR INTERESTS IN CORPORATE OPERATIONS.**

In relation to the interests of the members of the Administrative and Control Boards, reference should be made to paragraph 1.1 above.

**2.8. INDICATION OF THE BODIES OR DIRECTORS CONDUCTING OR PARTICIPATING IN NEGOTIATIONS AND/OR PREPARING AND/OR APPROVING THE TRANSACTION, SPECIFYING THE RESPECTIVE ROLES, WITH PARTICULAR REGARD TO THE INDEPENDENT DIRECTORS.**

Avio's Control and Risks Committee - as the RPT Committee - was involved and informed (as mentioned in point 2 above) upon the Narew programme and the subject of the Transaction already during the meeting of July 10, 2023, which was attended by Ms. Donatella Sciuto, Mr. Giovanni Gorno Tempini, and Mr. Raffaele Cappiello (all Independent Directors), as well as Avio Board of Statutory Auditors Chairperson Mr. Vito Di Battista and Statutory Auditors Mr. Mario Matteo Busso and Ms. Michela Zeme. It should be noted that the composition of the Committee results from the application of Article 14 "Equivalent Safeguards" of the RPT Policy; in particular, it was necessary to replace the member (of the Control and Risks Committee) who did not meet the independence requirements with the Independent Director available in order of seniority (Mr. Giovanni Gorno Tempini).

During the meeting, the RPT Committee received a timely flow of information, viewing such at the meeting: on the subject matter and terms of supply to the end customer, on the business entities (both Italian and overseas) involved in the Transaction, on the consideration stipulated for Avio, on the license agreement to be entered into between Avio and MBDA Italia, on the "golden power" notification required for the purpose of technology transfer, as well as on the related nature of the transaction and of Avio and MBDA Italy.

On the basis of the documentation examined by the Committee with reference to the Binding Offer, as well as the information and clarifications provided to the RPT Committee, preliminary evaluations were carried out by the Committee on the existence of Avio's interest in the presentation of the Binding Offer, as well as on its financial benefit and substantial correctness, without prejudice to the need to confirm/modify such evaluations in the Reasoned Opinion that will be prepared pursuant to the Related Party Transactions regulation before the possible finalisation of the Contract. In light of this, the RPT Committee issued - on July 19, 2023 - a preliminary reasoned opinion, on the basis of which it took note of the structure of the Transaction, expressing its opinion in favour of the submission of the Binding Offer for the signing of the Contract.

On July 21, 2023, Avio's Board of Directors - having taken note of the work carried out by Avio's management, as well as the considerations set out at the RPT Committee meeting - having evaluated the benefit and preliminary interest of the Company in the completion of the Transaction, resolved, with the abstention of Mr. Soccodato also in light of that indicated in paragraph 1.1 above, to approve the Binding Offer for the future signing of the Contract with MBDA Italia.

At the July 22, 2024 meeting, Ms. Donatella Sciuto, Ms. Elena Pisonero and Mr. Raffaele Cappiello (all Independent Directors), as well as the Chairperson of Avio's Board of Statutory Auditors Mr. Vito Di Battista and Statutory Auditors Mr. Mario Matteo Busso and Ms. Michela Zeme participated - as RPT Committee members. It should be noted that the composition of the Committee results from the application of Article 14 "Equivalent Safeguards" of the RPT Policy; in particular, it was necessary to

replace the member (of the Control and Risks Committee) who did not meet the independence requirements with the Independent Director available in order of seniority. On this point it should be noted that in light of the unavailability of Mr. Giovanni Gorno Tempini to attend the July 22, 2024 meeting, it was necessary to involve the second member of the Board of Directors in order of seniority, namely Ms. Elena Pisonero. During the above-mentioned meeting, the RPT Committee received information on the amendment of the conditions and enforceability of the Binding Offer previously examined that changed the structure of the Transaction and on the basis of the documentation examined preliminary evaluations were carried out by the Committee on the existence of Avio's interest in the presentation of the new Binding Offer, as well as on its financial benefit and substantial correctness, without prejudice to the need to confirm/modify such evaluations in the Reasoned Opinion that will be prepared pursuant to the Related Party Transactions regulation before the possible finalisation of the Contract. In light of this, at the same meeting, the RPT Committee issued a new reasoned opinion, also in view of the changes related to the structure of the Transaction, expressing its opinion in favour of the submission of the new Binding Offer for the signing of the Agreement.

On July 23, 2024, Avio's Board of Directors - having taken note of the work carried out by Avio's management, as well as the considerations set out at the RPT Committee meeting - having evaluated the benefit and preliminary interest of the Company in the completion of the Transaction, resolved, with the abstention of Mr. Soccodato also in light of that indicated in paragraph 1.1 above, to approve the new Binding Offer for the future signing of the Contract with MBDA Italia.

At the November 14, 2024 meeting, Ms. Donatella Sciuto, Ms. Elena Pisonero and Mr. Raffaele Cappiello (all Independent Directors), as well as the Chairperson of Avio's Board of Statutory Auditors Mr. Vito Di Battista and Statutory Auditors Mr. Mario Matteo Busso and Ms. Michela Zeme participated - as RPT Committee members. It should be noted that the composition of the Committee results from the application of Article 14 "Equivalent Safeguards" of the RPT Policy; in particular, it was necessary to replace the member (of the Control and Risks Committee) who did not meet the independence requirements with the Independent Director available in order of seniority. On this point it should be noted that in light of the unavailability of Mr. Giovanni Gorno Tempini to attend the November 14, 2024 meeting, it was necessary to involve the second member of the Board of Directors in order of seniority, namely Ms. Elena Pisonero.

At the above meeting, the RPT Committee issued its Reasoned Opinion, based on which it expressed its opinion in favour of entering into the Contract.

On November 20, 2024, Avio's Board of Directors - having taken note of the work carried out by Avio's management, as well as the considerations set out at the RPT Committee meeting - having evaluated the benefit and preliminary interest of the Company in the completion of the Transaction, resolved,

with the abstention of Mr. Soccodato also in light of that indicated in paragraph 1.1 above, to approve the Transaction and to grant the Chief Executive Officer Mr. Giulio Ranzo all the necessary powers, none excluded and/or excepted, to execute the resolution, including to proceed with the signing of the Contract.

**2.9. WHERE THE SIGNIFICANCE OF THE TRANSACTION RESULTS FROM THE CUMULATION - UNDER ARTICLE 5, PARAGRAPH 2 - OF MORE TRANSACTIONS CARRIED OUT DURING THE YEAR WITH THE SAME RELATED PARTY, OR RELATED PERSONS TO BOTH THE LATTER AND THE COMPANY, THE INFORMATION SPECIFIED IN THE PRECEDING POINTS SHALL BE PROVIDED WITH REFERENCE TO ALL THE ABOVE TRANSACTIONS.**

Without prejudice to that described in the preceding paragraphs in relation to the consideration of the Transaction as a whole, the case described is not applicable to the Transaction.

**Annexes**

The following annex constitutes an integral part of this Disclosure Document:

Annex 1: Opinion of the Related Parties Committee of November 14, 2024.

**DECLARATION OF THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

THE UNDERSIGNED ALESSANDRO AGOSTI, EXECUTIVE OFFICER FOR FINANCIAL REPORTING, DECLARES, IN ACCORDANCE WITH PARAGRAPH 2 OF ARTICLE 154-BIS OF THE CFA, THAT, TO THE EXTENT OF HIS KNOWLEDGE, THE ACCOUNTING DISCLOSURE IN THIS DISCLOSURE DOCUMENT CORRESPOND TO THE UNDERLYING ACCOUNTING RESULTS, RECORDS AND ENTRIES.

## AVIO S.P.A. RELATED PARTIES COMMITTEE

**REASONED OPINION IN ACCORDANCE WITH ARTICLE 7.1 (A) OF CONSOB REGULATION NO. 17221 OF MARCH 12, 2010 AND ARTICLE 8 OF THE “RELATED PARTIES TRANSACTIONS POLICY” OF AVIO S.P.A., REGARDING THE SIGNING OF A SUPPLY CONTRACT BETWEEN AVIO S.P.A. AND MBDA ITALIA S.P.A.**

### **1. Introduction**

The transaction being reviewed by the Control and Risks Committee in its capacity as the Related Parties Committee ("**Committee**") of Avio S.p.A. ("**Avio**" or the "**Company**"), in the persons of the Independent and Unrelated Directors (as defined in the “Related Party Transactions Policy”, most recently approved by the Company's Board of Directors on January 26, 2024 ("**Policy**"), Ms. Donatella Sciuto, Ms. Elena Pisonero, and Mr. Raffaele Cappiello, concerns the conclusion of a supply contract ("**Contract**") for the most advanced CAMM-ER (Extended Range) missiles ("**Transaction**").

This Reasoned Opinion on the Company's interest in entering into the Contract, as well as the benefit and substantive fairness of its terms, was provided by the Committee in accordance with the Policy and Regulation No. 17221 of March 12, 2010, as subsequently amended and supplemented ("**RPT Regulation**").

### **2. THE TRANSACTION**

Company management considers the Transaction to fall within the broader context of the "NAREW" programme through which Poland plans to procure the sophisticated "CAMM-ER" missiles produced by MBDA Italia S.p.A. ("**MBDA Italia**"), for which Avio builds the propulsion systems. Within the "NAREW" programme, with a timeframe to 2034, the Polish government's ambition is to acquire, at the same time as the propulsion units, industrial capacity through the standard offset and industrial participation requirements in force in Poland, resulting in the necessary transfer of technology from Italy to Poland.

In the context of the Transaction, on July 22, 2024 Avio sent a binding offer ("**Binding Offer**") covering the main terms and conditions for the subsequent conclusion of the Contract.

In light of this and following the signing of the Binding Offer, Avio intends to enter into the Contract with MBDA Italia, having as its subject matter:

- a.* the supply of 340 complete equipped engines, of which 250 engines to be supplied by Avio to MBDA Italia on domestic soil, while 90 engines will be shipped to Mesko (a Polish company that will produce the engines based on the technology transferred by Avio) in Poland, the supply to Mesko of 125 non-equipped engines for the integration of the engines with their aerodynamic surfaces, and the supply of 48 "kits" of engines intended for technical tests in Poland ("non-deliverable hardware"), for a total negotiated consideration of Euro 57,282,077.34 against the offered price of Euro 61,000,000.00; the negotiated reduction in price is due to the decrease in the quantity of the non-deliverable hardware and to the obtaining of a more favourable payment schedule, in particular a 7.5% higher advance price than assumed in the offer phase (the “**Recurring Supply**”);
- b.* the supply of goods and services for the progressive transfer of technology to Poland - consisting of (i) technical support and training services for the purpose of a joint study between Avio and Mesko to verify the technical assumptions underlying the technology transfer plan, whose outcome will form the basis of a new binding offer to be issued to regulate the supply of an additional 1,035 engines, (ii) the supply of specific manufacturing and maintenance equipment for CAMM-ER engines, (iii) the supply of Manufacturing Data Packages, (iv) the performance of fire tests (bench tests of equipped engines) and burst tests on engine casings for compliance with quality assurance requirements, (v) the economic development for technology transfer to Poland, and (vi) the procurement of additional project de-risking equipment, to be installed at Avio's production site in Colleferro, to handle any additional production should Mesko experience difficulties in production ramp-up as a result of the technology transfer - for a total negotiated consideration of Euro 89, 587,894.90, compared with the offer price of Euro 86,000,000.00; the price difference on negotiation is mainly attributable to the reduction in quantity of specific engine manufacturing and maintenance equipment earmarked for Mesko, balanced conversely by a greater number of equipment to be installed at Avio's production site in Colleferro, and to the obtaining of a more favourable payment schedule, in particular a 12.5% higher advance price than assumed in the offer phase (the “**Non-Recurring Supply**”).

The total consideration for the Transaction has been identified and agreed between Avio and MBDA Italia as Euro 146,869,972.24 (the "**Consideration**"), which will be paid in full by MBDA Italia to Avio in the form of cash.

The Transaction includes also the signing of a license agreement - duly authorised by the Prime Minister's Office in December 2023 following the notification made by the Parties under the "golden power" regulation - under which the transfer of technology from Avio to MBDA Italia will be permitted upon signing the Contract and on whose basis Avio shall be recognised:

- i.* a "one-off fee" of Euro 14,449,824.03 for know-how transferred to Mesko;
- ii.* "royalties" amounting to Euro 4,069,014.24 as the sum of the percentage value requested by Avio for each unit produced in Poland through Avio's technology transfer.

### **3. NATURE OF THE TRANSACTION AND OF THE RELATIONSHIP**

Regarding the nature of the correlation between the parties to the Contract, considering firstly that international accounting standards stipulate that:

- a.* *"An associate is an entity over which the investor exercises significant influence"* (Article 3, IAS 28);
- b.* *"In the definition of a related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture"* (Article 12, IAS 24)

MBDA Italia is a related party of Avio as Leonardo S.p.A., itself a related party of Avio, is:

- a)* **on the one hand, an associate of MBDA Italia, as it exercises significant influence over the joint venture AMSH B.V., which in turn holds 100% of the share capital of MBDA Italia's sole shareholder (MBDA S.A.S.);**
- b)* **on the other hand, an associate of Avio in that it holds a relative majority of its share capital.**

In particular, paragraph 9 of IAS 24 states that "(b) An entity is related to a reporting entity if any of the following conditions apply: [...] (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; [...]"; therefore, applying such to Avio it may be stated that "(b) An entity is related to a reporting entity if any of the following conditions apply: [...] (iv) MBDA Italia is a joint venture of Leonardo S.p.A. and Avio S.p.A. is an associate of Leonardo S.p.A.; [...]".

The signing of the Contract, although it relates to the Company's ordinary operations, may not be considered as an ordinary transaction as defined by the Policy and the RPT Regulation as it has the characteristics of non-recurring activities.

Therefore, the Transaction qualifies as a "Significant Transaction" and specifically:

- a.* ordinary and market or standard conditions of the Transaction are met only for the Recurring Supply, while such conditions do not exist for the subject of the Non-Recurring Supply;
- b.* the Non-Recurring Supply and the Recurring Supply are undertaken "*in execution of a unified design*" and thus the Transaction is considered as a "Significant related party transaction" within the meaning of Article 4(1)(a) of the Consob Regulation;
- c.* in accordance with (i) Article 1.4 of Annex 3 to the RPT Regulation and pursuant to Article 5, paragraph 2 of the RPT Regulation, the results of the significance ratios relating to the Recurring Supply and the Non-Recurring Supply must be added together, as these individual transactions were put in place in execution of a unitary design and (ii) Article 6 of the Policy, the overall significance ratio of the Transaction is above the threshold applicable which, pursuant to Annex 3 to the RPT Regulation (included in the RPT Policy), is 5%.

As the two supplies may not be split and have to be considered part of a single transaction, the Non-Recurring Supplies and technology transfer are, also quantitatively, prevalent.

#### **4. PRELIMINARY PHASE AND DOCUMENTATION REVIEWED**

Based on the provisions of the Policy and consistent with the RPT Regulation for "Significant Transactions", the Committee was involved in a timely manner during the negotiation and



preliminary phase of the Transaction through the receipt of complete and up-to-date information and specifically:

- a.* on July 10, 2023, the Committee was informed upon the structure of the Transaction and received initial useful information;
- b.* on July 19, 2023, the Committee, upon receiving the additional details issued its favourable opinion on the Binding Offer, noting at the present time that it was in the company's interest and economically advantageous, as well as substantially fair in its terms, without prejudice to any assessment that the RPT Committee will carry out on the final terms of the Transaction, once defined and before its possible completion.
- c.* on September 27, 2023, the Committee received further updates on the progress of the Transaction following the submission of the Binding Offer mentioned above;
- d.* on July 22, 2024, the Committee received information on the modification of the conditions and enforceability of the Binding Offer previously examined and therefore reissued its favourable opinion on the Binding Offer, noting at this time that it was in accordance with the company's interest and economic benefit, as well as the substantive correctness of the related conditions, without prejudice to any assessment that the Committee will carry out on the final terms of the Transaction, once defined and before its possible completion;
- e.* on September 23, 2024, the Committee received further updates on the progress of the Transaction.

## 5. ANALYSIS

With regard to the Company's interest in the completion of the Transaction, the Committee, on the basis of the documentation examined with reference to the Contract, has assessed that the Transaction permits a number of advantages, in terms of the economic basis and benefit for the Company, as it is part of the "Narew" Programme, which generates business volumes for the Company of approximately Euro 146.9 million and represents the most significant business opportunity for the CAMM-ER product in terms of production volumes and revenues, guaranteeing production visibility and work for at least ten years.

The assessments made by the Committee, as outlined below, assume that the information and documents reviewed for the purpose of issuing this Opinion are complete and correct and are not subject to substantial changes by the relevant corporate boards, and that the analyses of the competent boards do not reveal any additional new elements that, if known as of today's date, would be likely to affect the Committee's assessments.

### 5.1. **Interest for the Company**

The Committee considers that Avio has an interest in signing the Contract as such, as mentioned, is part of the broader "NAREW" programme that is consistent with Avio's operations and offers a development opportunity in the area of the production of CAMM-ER missile thrusters, resulting in the possibility of increasing the volume of defence business on the European market by ensuring production visibility and work for at least ten years. The Committee also found the estimated margins to be substantially in line with Avio's Defence programme. Including the valuation of one-off fees and royalties, which comprise a price against the valuation of Avio's intangible value and not specifically incurred costs, the resulting overall margin is higher than the average.

### 5.2. **Financial benefit and substantive fairness of the Contract and its terms and conditions**

In terms of this aspect, on the basis of the assessments made for the conclusion of the Contract, the Committee confirms its financial benefit for the Company.

A summary of prices related to the Transaction follows:

Recurring Prices (Euro 57,282,077.34) are calculated at market conditions, based on the agreement for the production of the CAMM-ER Booster and used for supplies already ordered by MBDA Italia, with extrapolation for supplies forecast following the expiration of the agreement (beyond 2030).

Non-Recurring Prices (Euro 89,587,894.90) are broken down as follows, based on the main activities:

1. Study phase for possible subsequent IMC/Ugello transfer: Euro 2,470,950.00. Market prices for Avio personnel continuously travelling to the Polish counterparty site, production of technical publications and preparation of joint business plan.
2. Technical support services: Euro 30,382,678.81. Technical support includes, but is not limited to, the parallel production of "non-deliverable" units to the End Customer, but necessary for the ramp-up of the production process. The determination of associated costs may easily be deduced by its similarity with the cost curve apparent in similar activities at Avio.
3. Training services: Euro 6,188,117.70. Training is two-fold in nature. Polish personnel will first be trained in Italy on Avio's production lines, and then "train-the-trainer" courses will be provided in Poland on Mesko's lines. The costs include, in addition to the work provided, the request by the Polish trainees for board and lodging in Italy to perform the contractual activities, and the mission costs of Avio staff in Poland.
4. Provision of Manufacturing Data Packages: Euro 5,266,836.80. "Manufacturing Data Packages" are detailed operating instructions for the on-site manufacture of a specific product. They need to be instantiated and developed on the basis of a specific production layout, requiring interaction with the counterparty, specific and detailed design of the production flow,

cycles and control stations, with checks for homogeneity of the cycle defined in Poland with respect to the original in Italy.

5. Provision of specific equipment (as defined above): Euro 26,760,473.32, of which:

a) Euro 19,416,974.71 for equipment for Mesko. The price is inclusive of installation and testing costs at the production site in Poland.

b) Euro 7,343,498.61 for equipment for the Avio site in Colleferro.

The prices for items 1, 2, 3, 4 and 5 were constructed from cost estimates, in terms of hours and external costs, valued according to the standards defined with the Defence Administration during the certification carried out in 2022 for Hourly Cost, Material Handling equal to 5.3% and an Industrial Margin recognised up to 8%.

Expected margins are in line with those usually achieved for Defence programmes, which are higher than the average for Avio's overall business: for completeness, the marginal for production activities in the Space sector is, due to market logic and consequent price pressure, on average lower than the Defence business segment.

6. One-off fees: Euro 14,449,824.03. The fees were calculated on the basis of expected profits in the event that the assets gradually transferred to Mesko were retained at Avio.

7. Royalties: Euro 4,069,014.24. The royalties calculated on the value of the activities undertaken by Mesko as 1.5% of the integration activities and 4% of the propellant casting activities respectively. These values are in line with standard technology transfer royalty values, normally ranging from 1.5% (limited transfer) to 9% (full transfer).

Regarding the substantive fairness of the terms of the Contract, the Committee considers such to be present.

In particular, with regard to the procedure followed to consider the approval of the Contract, the Committee notes that such is correct and in line with the provisions of the Policy and the RPT Regulation. The Committee was involved in a timely and appropriate manner in the preliminary investigation and negotiation phase related to the Transaction, through a complete

and updated information flow, suitable to ensure the necessary elements of assessment in order to express the present opinion.

### **CONCLUSIONS**

The Committee, noting (i) the information and documentation received from the relevant Company structures, (ii) the interest of the Company in the signing of the Contract,

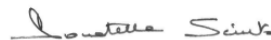
#### **Expresses a Favourable Opinion**

on the signing of the Contract, noting at the present time that it is in the company's interest and economically advantageous, as well as substantially fair in its terms.

Rome, November 14, 2024

**For the Related Parties Committee**

The Chairperson

A handwritten signature in black ink that reads "Donatella Sciuto".

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Ms. Donatella Sciuto