



Avio S.p.A.

Registered office in Rome, via Leonida Bissolati No. 76
Administrative offices in Colleferro (Rome), via Ariana Km 5.2
Share Capital Euro 90,964,213 fully paid-in
Rome (RM) Companies Registration Office No.: 09105940960

2024 ANNUAL FINANCIAL REPORT

This document is not prepared in accordance with the provisions of the European Commission's Delegated Regulation (EU) 2019/815 on a single electronic communication format (ESEF). The annual financial report, prepared in accordance with the provisions of the aforementioned Delegated Regulation, is available on the authorised storage system "eMarket STORAGE" (www.emarketstorage.com) and on the company's website.

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HIGHLIGHTS

Net revenues⁽¹⁾

Euro 441.6 million (+30.4% on 2023)

EBITDA

Reported: Euro 25.8 million (+25.9% on 2023)

Adjusted ⁽²⁾: Euro 31.3 million (+11.6% on 2023)

EBIT

Reported: Euro 8.4 million (+60.4% on 2023)

Adjusted⁽²⁾: Euro 13.8 million (+8.6% on 2023)

Profit before taxes

Euro 6.8 million (Euro 6.6 million in 2023)

Net Profit

Euro 6.4 million (Euro 6.6 million in 2023)

Net Financial Position

cash position of Euro 90.1 million (+Euro 13.9 million on December 31, 2023)

Investments

Euro 35.0 million (Euro 36.3 million in 2023)

Backlog⁽¹⁾

Euro 1,724 million (+27% on December 31, 2023)

Research and development

costs of Euro 178.5 million, net of pass-through costs incurred in 2024, equal to 40.4% of revenues net of pass-through revenues for 2024 (Euro 121.7 million net of pass-through costs incurred in 2023, equal to 35.9% of revenues net of pass-through revenues for 2023)

Employees

1,355 at December 31, 2024 (1,256 at December 31, 2023)

¹ Net of "pass-through" revenues.

² Net of non-recurring costs.

LETTER TO THE SHAREHOLDERS

Dear Shareholders

We are pleased to present the Avio Group Annual Financial Report for the year 2024, integrated with the Sustainability Statement. Avio, as an organisation already subject to the non-financial reporting obligation under Legislative Decree No. 254/2016, complies with the new requirements set out in Directive (EU) 2022/2464 ("CSRD Directive") starting from the 2024 financial year.

The year 2024 marked a key turning point in company operations, both with reference to the space sector and business development in the defence field.

On September 5, 2024, after 12 years of service, 22 launches and more than 120 satellites released into space, the Vega launcher made its final flight, successfully carrying the Earth observation satellite Sentinel-2C into orbit as part of the European Commission's Copernicus programme. The Vega's legacy has been taken up by its successor, the Vega C, which successfully launched the Sentinel-1C satellite on December 6. Vega C is capable of carrying up to 2,350 kilograms in sun-synchronous orbit, releasing loads on three different orbits in the same mission, compared to the two possible with Vega, thanks to the AVUM+ engine capable of restarting up to seven times.

2024 was also 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 the Vega launcher to be commercialised by Avio. Specifically, the ESA Resolution passed on July 5, 2024 concurrently transferred responsibility for the commercialisation activities of Vega C flights to Avio. As a result of this resolution, on December 18, 2024, Avio signed a framework contract with ESA for the acquisition of launch services in support of the Agency's future missions, as well as a first operational order for the launch of the FORUM ("Far-infrared Outgoing Radiation Understanding and Monitoring") Earth observation mission, which will be launched by Avio as the launch services provider on board a Vega C launcher in 2027. Also in this context, on January 28, 2025 Avio signed a trilateral agreement with Arianespace and the European Commission to transfer the Copernicus Framework Contract for Vega C from Arianespace to Avio. On the same occasion, Avio signed an amendment to add an additional launch of a Copernicus program satellite to the Framework Contract, replacing Sentinel-1D to be launched by Ariane 6.

In the latter part of the year, two contracts worth a total of about Euro 350 million were also signed with the ESA, relating to the development of the new Vega E launcher and the ground infrastructure upgrade for the Vega C, aimed at increasing the launch rate. Specifically, the first contract will allow the development of the next evolution of the launcher, the Vega E, to continue until the ground qualification phase. The contract covers all aspects of the launch system, such as rocket assembly, launch pad construction, refuelling, launch pad systems and logistics, as well as integrated and combined testing of the entire Vega E system. Vega E will have three stages instead of four and will use a new launch pad that will be built on the former Ariane 5 launch complex. The new launcher will feature a liquid propellant (methane and liquid oxygen) upper stage that will replace both the Zefiro 9 engine and the AVUM stage. The new launcher configuration will increase payload capacity to 3 tonnes from the current 2.3 tonnes of Vega C. The second contract involves Vega C, and is functional to improve ground operations aimed at increasing the cadence to 6 launches per year and reducing the time between two consecutive launches. In fact, a new Vega C launcher integration building will be built at the European spaceport in French Guiana, allowing engineers to work simultaneously on two rockets being assembled - one on the launch pad and the other in the new integration building - and to conduct two launch campaigns in parallel.

Following its successful maiden flight on July 9, 2024, Ariane 6 completed its first commercial flight on March 6, 2025. Avio is partner of the programme 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. In the future, Avio will continue to supply P120C boosters that will be used in a dual configuration as for the first two flights, 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. The P160 will be the world's largest carbon fibre monolithic engine and will also be used on the Vega C.

The year 2024 also saw continued international growth in defence demand, with a corresponding increase in the Company's orders to Euro 259 million. Subsequent to the establishment of Avio USA and following activities to explore the U.S. market for expansion opportunities, Avio announced on July 23, 2024, the finalisation of two major new contracts with U.S. customers. The first, with Raytheon, leader in defence solutions for the U.S. Government and Allied Demand, to initiate and progress the development of critical solid rocket motors for defence applications; the second 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 development, both contracts lay the foundation for a transition to production. The development of the defence propulsion business also continued further at the European level, registering an increase in orders from existing customers on existing products (i.e., Aster 30 / CAMM-ER): among the main orders signed at the end of the year was the contract between Avio and MBDA Italy for Avio to supply propulsion engines for the CAMM-ER missiles produced by MBDA and with a total countervalue of about Euro 150 million.

In terms of business and financial results, 2024 closed with a new backlog record, well beyond the expectations of the Guidance, of approximately Euro 1.72 billion, up 27% from 2023, thanks to the acquisition of new orders for approximately Euro 0.8 billion, mainly relating to new contracts for the completion of Vega E development and defence propulsion.

Net Revenues of Euro 442 million were also higher than Guidance, marking a 30% increase over last year due to growth in Vega development activities, defence production, and Next Gen EU technology development projects.

All the remaining business and financial indicators were in line with the 2024 Guidance.

Adjusted EBITDA of Euro 31.3 million is up 11.6% from 2023, reflecting the trend in revenues and lower energy costs.

EBIT was Euro 8.4 million, up on Euro 5.2 million in the previous year.

The Net Profit of Euro 6.4 million was essentially in line with the previous year. Due to the positive results achieved in the year, the Board of Directors also proposed to the Shareholders' Meeting the distribution of a dividend of Euro 3.75 million (Euro 0.15 per share).

Finally, we point out with satisfaction that the important milestones achieved in 2024 have inspired renewed confidence in the company on the part of investors, and have also been reflected in a tangible way in Avio's share price, which during 2024 has risen by about 60%, reaching its highest level since listing in early 2025.

Avio in the year also continued on its path of continuous improvement related to the areas of Sustainability, already having a Sustainability Policy, as well as a Business Plan integrated with its Sustainability Plan, which allowed it to start a path of integration between the industrial part and the sustainability part.

Avio initiated work during 2024 that led to obtaining certification related to gender equality. Gender equality certification attests to a company's commitment to promoting policies and practices aimed at reducing the gender gap in the workplace. The launch of this project marked the beginning of an Avio plan to consciously promote gender equality.

Again in 2024, Avio confirmed its membership of the Business Integrity Forum (BIF), an initiative of Transparency International Italia, which brings together large Italian companies already involved in the issues of integrity and transparency, and which through the BIF are committed to preventing and combatting corruption in business practices by adopting and circulating anti-corruption tools and practices and encouraging an improved culture of legality. The Company also cooperates assiduously with the Italian Transparency and Anti-Corruption Association (AITRA).

As mentioned earlier, 2024 undoubtedly marked a turning point for Avio's operations, a year in which your company, thanks to the determination, passion, and expertise of all its staff, as well as the trust of its shareholders, demonstrated its ability to deliver on all the promises made.

The important decisions made at European level, especially in terms of the new responsibilities entrusted to Avio in the commercialisation of Vega C and as the next launch operator, pose increasingly challenging goals, even in light of the future increase in Vega C's launch cadence.

At the same time, and in keeping with the trajectory outlined this year thanks to the important new developments in the defence sector, Avio is also poised to meet the growing demand for propulsion systems in this area by leveraging its track record and continuing to tap into new opportunities in Europe and the United States.

Roberto Italia
Chairperson of the Board of Directors
Avio S.p.A.

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

DIRECTORS' REPORT

THE AVIO GROUP

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 Colleferro 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 and Vega C family 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 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. Following the activities to investigate and resolve the anomaly, the return to flight was successful on December 5, 2024. Vega C has the capacity for a greater payload than the Vega and optimises production costs thanks to the sharing of the new first stage (P120C) with Ariane 6.

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

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

Furthermore, as detailed in the section "Significant events in 2024", to which reference should be made, on July 23, 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 participated in the development and testing of the propulsion systems of the Hera satellite and is contributing to the development and testing 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 and Avio operates as a subcontractor for the launch of the new generation Ariane 6 whose test launch took place on July 9, 2024³; 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 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**

³ See press release of November 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

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 P120, Zefiro 40 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 Vega Evolution ("Vega-E") launcher. For this latter, the Group is responsible for the development and subsequent production of the entire launcher, as well as the development of a cryogenic liquid oxygen-methane engine for the high stage, called M10.

- **Defence**

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

- Aster 30 MLU (new version of the 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);
- CAMM-ER - development of the booster and single stage sustainer engine, wiring and aerodynamic control surfaces (fins);
- Aspide propulsion units;
- Marte sustainer.

With net revenues in 2024 of Euro 441.6 million and Reported EBITDA of Euro 25.8 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 95% of its revenues from overseas.

The highly technological content of Avio's operations required a research and development spend - for the portion mainly commissioned by ESA, ASI and Member State ministries - accounting for approx. 40.4% of net revenues in 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.

CORPORATE BOARDS AND COMMITTEES

Board of Directors

On April 28, 2023, the Shareholder's Meeting appointed the Board of Directors of the parent company 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 Board of Directors established the role of Vice-Chairperson 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)
Giulio Ranzo	Chief Executive Officer
Giovanni Gorno Tempini	Independent Director, Vice-Chairperson
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 the parent company 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 the parent company 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. Such 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 Defence Agency, and the Chairman is former Booz Allen Hamilton Partner Martin Bollinger.

2024

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.

BUSINESS DIVISIONS

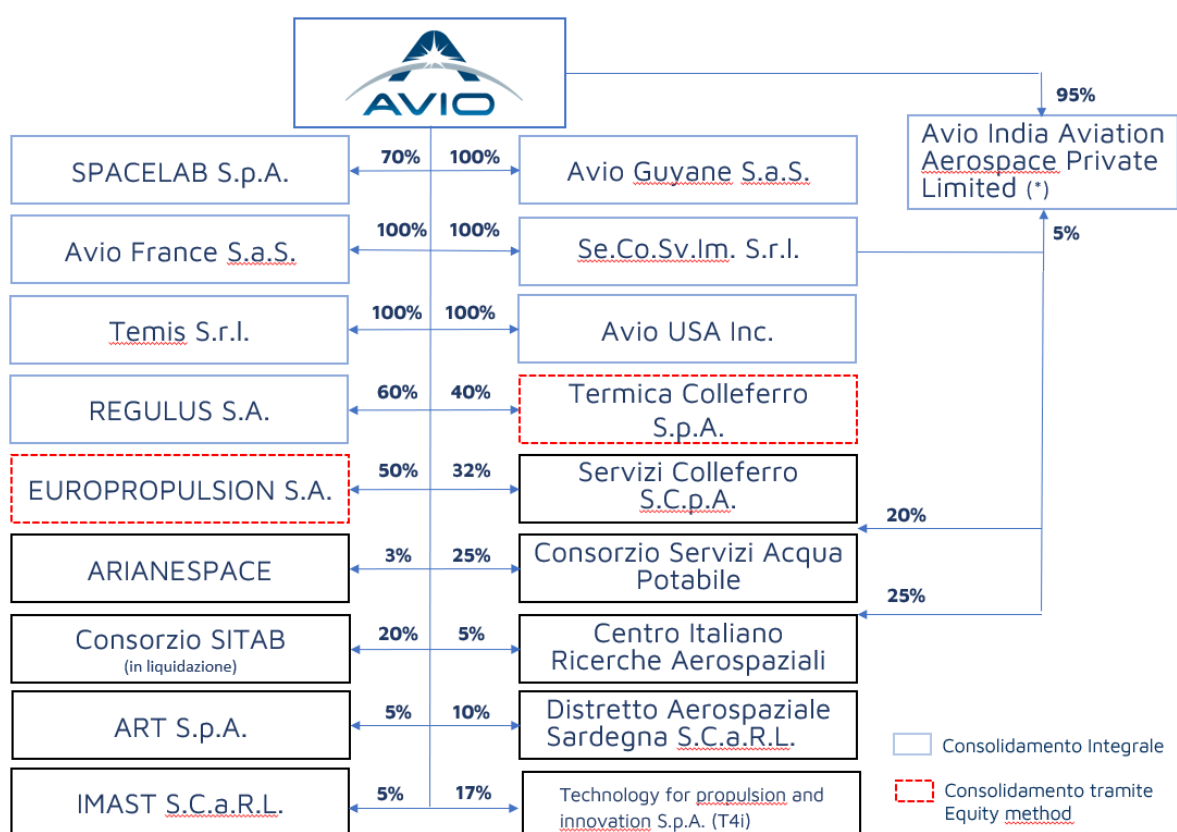
Core operations: design, development and production of solid and liquid propellant propulsion systems for space launchers; design, development and production of solid propellant propulsion systems for tactical missiles; development, integration and supply of complete light space launchers (VEGA); research 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 Guiana, there is the European spaceport where loading and integration of the Ariane 6 solid-propellant booster segments, as well as integration of the 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,
 - o Arianespace for the production, integration and batch sale of the Vega C launchers, and
 - 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, and
 - 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 states⁴. 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 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;
- 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 2025 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.

⁴ 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>

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 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 development of **enabling technologies** to further increase the performance of future launchers and reduce their cost, and in particular:
 - o composite tanks for cryogenic liquid propellants for future green propulsion systems;
 - 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/Methane **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) and is a green propulsion technology to support the sustainability of future launchers;
- 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; this engine represents another green alternative to support the sustainability of future launchers;
- 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 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 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:

- intends to stabilise the frequency of Vega C 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.⁵

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 future⁶.

The main orders signed at the end of the year included the contract between Avio and MBDA Italy for Avio to supply propulsion engines for the CAMM-ER missiles produced by MBDA and with a total countervalue of about Euro 150 million⁷.

⁵ 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>

⁶ See press release of July 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-partnership-con-l'esercito-degli-stati-uniti>

⁷ See also the press release dated December 4, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/concluso-contratto-tra-avio-mbda-italia-fornitura-di-motori-missili-camm-er>

SHAREHOLDERS

At December 31, 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.p.A., 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. 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. With reference to the 2024 fiscal year, it should be noted that Avio S.p.A.'s share price reached and exceeded Euro 13.00 at various times during the year. At December 31, 2024, no exercise requests were 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% ⁸
Cgn Futuro S.r.l.	5.05%
Delfin S.a.r.l.	3.79%
In Orbit S.p.A.	3.01%
Treasury shares	4.14%
Remaining MTA free float	45.33%
Total	100.00%

⁸ Share held through various investment funds



FY 2024

SIGNIFICANT EVENTS IN 2024

Business

VEGA C to launch the SMILE mission for ESA⁹

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 CAS, 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 expected for late 2025.

Zefiro 40 successfully tested¹⁰

The Zefiro-40 solid-fuel rocket engine, the second stage of the Vega-C launcher, was tested by Avio on May 28, 2024 at the Salto di Quirra testing range in Sardinia. The engine features an improved nozzle design, which allowed Vega-C to return to flight on December 6, 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 was successfully conducted on October 3, 2024 at the Salto di Quirra test stand in Sardinia. This second trial concluded the qualification tests for the new Zefiro-40 engine nozzle design. Post-test analysis confirmed that the new nozzle design and engine performed as expected.

ESA resolution for the commercialisation of the Vega launcher by Avio¹¹

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 ESA.

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 6¹²

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

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 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 working on a more powerful version of the boosters, called the P160, which increases the thrust of the launcher and consequently also its load capacity.

⁹ 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>

¹⁰ 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>

See also the press release dated October 3, 2024 at the link: <https://www.avio.com/it/ultimo-test-del-motore-zefiro-40-apre-strada-vega-c>

¹¹ 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>

¹² See press release of July 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

Avio launches partnership with Raytheon (RTX) and the US Army¹³

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.

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 future¹⁴.

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.

Success for the final launch of Vega, replaced by Vega C¹⁵

On September 5, Vega successfully launched the Sentinel-2C Earth Observation Satellite, a dedicated mission for the European Commission Copernicus Program. The satellite was released into a sun-synchronous orbit at an 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 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.

Avio USA plans new solid propellant engine production facility in the United States¹⁶

Avio USA, a subsidiary of Avio S.p.A., has chosen ACMI Properties to conceive and design its first solid-propellant engine production plant in the United States. The project is a potential investment in the U.S. industrial base to support the rapidly increasing demand for solid-propellant engines in the aerospace and defence sectors.

The project paves the way for Avio's investment in the U.S. market and is expected to create new high-paying jobs. The plant will house the production of different types of solid-propellant engines with applications in defence, space exploration, and commercial aerospace.

Avio USA and ACMI Properties are currently evaluating several locations to select the best site for the solid propellant engine production facility, which will occupy several hundred hectares. Several states are currently under consideration. The evaluation period is expected to conclude in the first half of 2025.

¹³ 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-l'esercito-degli-stati-uniti>

¹⁴ See also the July 23, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

¹⁵ See also the September 5, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

¹⁶ See also the press release dated October 29, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-usa-acmi-properties-collaborano-alla-progettazione-di-nuovo-impianto-di>

Avio signs contract with MBDA Italy to supply CAMM-ER missiles¹⁷

Avio has signed a contract with MBDA Italy for Avio to supply propulsion engines for the CAMM-ER (Extended Range) missiles produced by MBDA.

The conclusion of this contract, worth close to Euro 150 million, includes at the same time as the supply of the propulsion units, technology transfer activities related to part of the manufacturing and engine integration.

The contract is considered a significant related party transaction, as per Consob Resolution No. 17221 of March 12, 2010 ("RPT Regulation"), incorporated into the "Related Party Transactions Policy" approved by Avio's Board of Directors, in its latest version, on January 26, 2024 ("RPT Policy").

Vega C successfully launches Sentinel 1C satellite¹⁸

On December 6, 2024, Vega C successfully launched the Earth observation satellite Sentinel-1C, a mission of the European Commission's Copernicus programme.

The Sentinel-1C satellite will provide images in all weather conditions, both day and night, for land and sea monitoring. Synthetic aperture radar (SAR) in the C-band has the advantage of operating at wavelengths that are not obstructed by clouds or lack of illumination.

Avio signs contracts with ESA for Euro 350m¹⁹

On December 18, 2024, the ESA signed several contracts with Avio to continue development of the next-generation launcher, Vega-E, and increase the number of annual flights of the Vega-C rocket.

Two contracts have been signed between ESA and Avio, with a total value of approximately Euro 350 million and a three-year timeframe:

- development of the new Vega-E launcher;
- upgrades to the ground infrastructure for Vega-C to increase launch cadence.

Vega C will launch FORUM mission for ESA in 2027²⁰

ESA has signed a framework contract with Avio for the acquisition of launch services in support of the agency's future missions, as well as a first operational order for the launch of the FORUM Earth observation mission. ESA's FORUM mission - an acronym for Far-infrared Outgoing Radiation Understanding and Monitoring - will be launched by Avio as the launch service provider aboard a Vega-C launcher from the European spaceport in Kourou, French Guyana. The launch is scheduled for 2027.

FORUM is a 900 KG satellite that will be placed in sun-synchronous orbit at an altitude of approximately 830 KM and will fly in tandem with the Metop-SG A1 satellite, developed by ESA for EUMETSAT, the European Organization for Meteorological Satellites.

¹⁷ See also the press release dated December 4, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/concluso-contratto-tra-avio-mbda-italia-fornitura-di-motori-missili-camm-er>

¹⁸ See also the press release dated December 6, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-missione-vv25-del-vega-c-sentinel-1c-orbita>

¹⁹ See also the press release dated December 18, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/contratti-operazioni-sviluppo-futuri-dei-razzi-della-famiglia-vega-nuova-guidance>

²⁰ See also the press release dated December 18, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/vega-c-lancera-missione-forum-lesa-forum-nel-2027>

Other significant events

Rosario Esposito joins Avio as Chief Operating Officer²¹

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 the supply chain end-to-end, from procurement through to supplier management, supplier quality assurance and logistics.

Distribution of dividends²²

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 Shares²³

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 Plan²⁴

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.

²¹ 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>

²² 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>

²³ 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>

²⁴ 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>

Approval of the 2024-2026 Restricted Share Plan²⁵

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. The allocation of these rights was made by notice to the beneficiaries on November 6, 2024.

Marino Fragnito joins Avio as Chief Commercial Officer²⁶

In the coming years, Avio will tackle increased production volumes with a wide range of programmes: the autonomous commercialisation of Vega, the increased flight cadence of Vega C, the increased production of Ariane 6 propulsion systems, and greater propulsion volumes of defence systems.

In this context and as part of an ongoing effort to strengthen its market leadership, Avio has hired Marino Fragnito as Chief Commercial Officer (CCO) and Launch Services Director, effective September 2024. The CCO, previously head of the Vega Business Unit at Arianespace, has extensive experience in the space sector, having worked in senior positions at EUMETSAT and Alcatel Space, now Thales Alenia Space. He also gained significant experience at ELV from 2003, serving as Head of Mechanical System Development for the development of Vega.

Responsible Space for Sustainability: Avio at IAC Milan 2024²⁷

Avio was a Silver Sponsor at the International Astronautical Congress 2024, which was held in Milan between October 14-18. As a company, we whole-heartedly support the motto of this year's Congress: "Responsible Space for Sustainability". Sustainability in space through the adoption of European best practices to mitigate the risk of space debris in orbit. Sustainability from space, contributing to the launch of satellites for the European Earth observation programme "Copernicus", as achieved with three dedicated Vega missions for the Sentinel 2A, 2B and 2C satellites, and with the return to flight of Vega C, which had the Sentinel 1C satellite as its payload. Sustainability in space by developing new, greener engines that will use Methane and Liquid Oxygen for propulsion.

Approval of proposed amendments to the By-Laws and the Board of Directors' proposal for the appointment of the statutory auditors for fiscal years 2026-2034²⁸

On December 20, 2024, the Extraordinary and Ordinary Shareholders' Meeting of Avio S.p.A. was held under the chairmanship of Mr. Roberto Italia.

The Extraordinary Shareholders' Meeting approved a number of amendment proposals to the By-Laws so as to introduce, among other matters, the recent changes to the regulatory framework.

Specifically, the Shareholders' Meeting approved the proposals of the Board of Directors to amend the Articles of the By-Laws concerning attendance and voting at Shareholders' Meetings, the calling and hosting of the meetings of the Board of Directors, the appointment, term and replacement of the Board of Statutory Auditors, and the calling, meetings and resolutions of the Board of Statutory Auditors.

In ordinary session, the Shareholders' Meeting approved the Board of Directors' proposal, drawn up on the basis of the terms contained in the reasoned proposal prepared by the Board of Statutory Auditors pursuant to Article 13 of Legislative Decree No. 39/2010 and 16 of the European Regulations, to appoint KPMG S.p.A. as the external auditor for the fiscal years 2026 - 2034.

²⁵ 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>

²⁶ See also the September 16, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/marino-fragnito-entra-avio-come-chief-commercial-officer>

²⁷ See also the press release dated October 11, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/responsible-space-sustainability-avio-allo-iac-milano-2024>

²⁸ See also the press release dated December 20, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/assemblea-straordinaria-ordinaria-degli-azionisti-di-avio-spa-20-dicembre-2024>

**Avio signs ESA's Zero Debris Charter²⁹**

On December 18, 2024, Avio signed the ESA's Zero Debris Charter, the ambitious review of the agency's internal guidelines for space debris mitigation. This document builds on more than a decade of ESA-wide cooperation and will guide the development of technologies needed to achieve debris neutrality by 2030.

²⁹ See also the press release dated December 23, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/avio-firma-zero-debris-charter-dellesa>

MARKET PERFORMANCE AND OPERATIONS

General overview: historic and future outlook

There were 264 orbital launches in 2024 (compared to 223 in 2023), 7 of which recorded a failure (compared to 11 in 2023). Globally, these 264 launches put into orbit 2,777 satellites (2,952 in 2023), for a total transported mass of 2,001 tonnes (1,371 tonnes in 2023). 2024 saw the continuation of the trend of previous years, dominated by the deployment of SpaceX's Starlink mega-constellation (1,918 satellites launched in 2024, equal to 1,439 tonnes of mass, via 85 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 large constellations, (as noted above, SpaceX's Starlink in particular, but also OneWeb, Starshield, GuoWang and other minor constellations).

From the perspective of orbits, low Earth orbit (LEO) missions (Vega's target segment) continue to consistently increase: in 2024 globally, there were 205 LEO launches (with a transported mass of 1,696 tonnes, compared to 1,093 tonnes in 2023, excluding launches to the ISS and the CSS), and 25 GTO/GEO launches (transported mass of 118 tonnes, compared to 99 tonnes in 2023). 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.

As for the type of satellites, it is worth noting that of the 2,777 satellites put into orbit in 2024, 610 were SmallSats (i.e., with a mass <600 KG) compared to 2037 in 2023, demonstrating a sudden turnaround mainly related to the deployment of the new 750 KG Starlink v2-mini satellite version.

With the exception of the Starlink constellation (satellites manufactured, launched and operated by Space X, without the possibility of open competition), and impossible to determine launches, missions continued to be mainly institutional (63 civil government launches and 34 military launches, compared with 66 commercial launches), proving once again that, for this sector, public funds continue to be of vital importance.

As for the applications of the launched satellites, 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. We note also an increase in satellites implementing artificial intelligence-based technologies.

Finally, analysis of the leading countries in the sector in 2024 reports 154 launches for the USA (1,724 tonnes), 73 for China (only 196 tonnes, indicating a very low filling factor of the launchers which is only possible because the launches are exclusively governmental), 17 for Russia, and 3 for Europe.

Forecasts for this decade and the next indicate a strong growth in transported mass, with a CAGR of 9% from 2023 and 2030, and 7% from 2030 and 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.

Launchers market

2024 Confirmed the global trend of recent years in which few nations had a launch service offer capable of responding not only to the continually solid institutional market, but also to the growing commercial market. As mentioned in the previous paragraph, these countries were the USA and China (together covering 86% of launches, and approx. 95% of the mass launched - and, to a lesser extent, Russia, Japan, India and Europe).

The following new launcher missions were undertaken in 2024, which in two cases resulted in a failure, confirming that maiden flights of a spacecraft often result in a failure:

- Vulcan Centaur, the American ULA launcher;
- Gravity-1, a Chinese Orienspace launcher;
- KAIROS, the Japanese Space One launcher – Failure;

- Angara-A5, Khrunichev's Russian launcher;
- CZ 6C, Chinese CGWIC launcher;
- Hwasong-11D, a Chinese launcher with only partially known characteristics – Failure;
- Ariane 6, European launcher from Arianespace;
- Zhuque-2E, Chinese LandSpace launcher;
- CZ 12, Chinese CGWIC launcher;
- Kuaizhou-1A-Pro, Chinese Expace launcher;
- CZ 5B, Chinese CGWIC launcher.

The most widely used "legacy" launchers remain the Falcon 9 (128 launches), the CZ family of launchers (54 launches) and the Electron (14 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 its magazines, including SpaceNews Magazine.

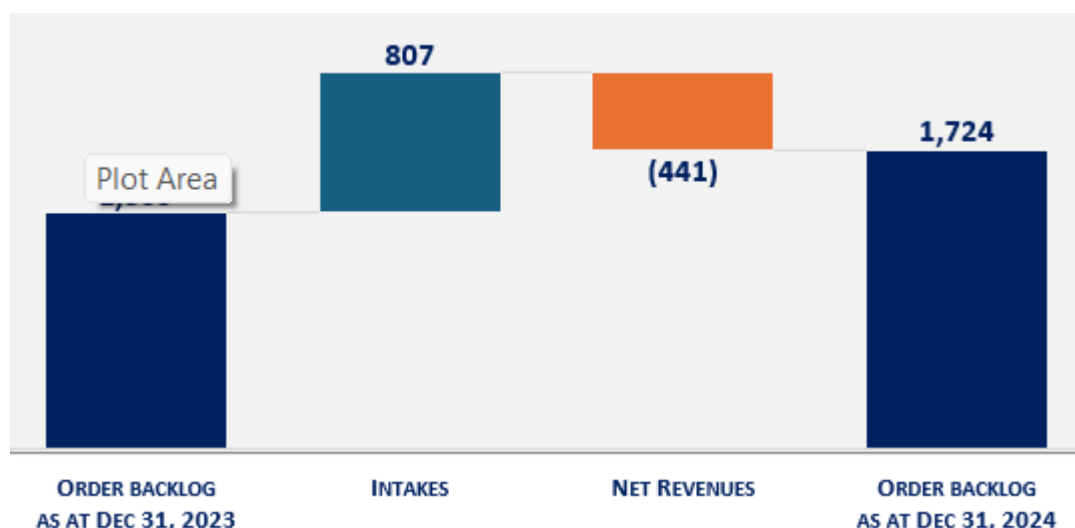
GROUP OPERATING PERFORMANCE AND FINANCIAL AND EQUITY POSITION

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 December 31, 2024 was Euro 1,724 million, a net increase of Euro 366 million (+27%) compared to Euro 1,359 million at December 31, 2023.

The order intake in 2024 totalled Euro 807 million, mainly concerning orders for production activities:

- in the defence segment, for solid propulsion systems for Aster tactical missiles and for the supply of propulsion engines for the CAMM-ER (Extended Range) missiles produced by MBDA;
- 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 took place on December 5, 2024,
 - for the acquisition of launch services to support future ESA missions including, for example, the FORUM Earth observation mission;
- in addition to orders for further Vega E and Space Rider development activities.



With regards to the backlog at December 31, 2024, which coincides with the remaining outstanding obligations totalling Euro 1,724 million, it is reasonably estimated that it shall give rise to the recognition of revenues of approx. 30% of the amount respectively in 2025 and in 2026, and for the remainder of 2027 and 2028. In the 2024 results press release dated March 13, 2025³⁰ it was commented that Avio ended 2024 with a record order backlog of Euro 1,724 million, an increase of 27% compared on 2023, exceeding Guidance targets (Euro 1,500 to 1,600 million), thanks mainly due to new contracts for the completion of Vega E development and defence propulsion. The presentation to analysts and investors on the 2024 results³¹ specifies how the order book in the period 2019 - 2024 grew at a compound average annual rate (CAGR) of 21%. At this presentation, investors were also informed of the new Guidance targets expected for 2025, predicting, among others, an order book of between Euro 1,700 and 1,800 million. An indication on the order intake or Backlog in 2024 is also reported:

³⁰ See also the September 16, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/risultati-esercizio-2024>

³¹ See the presentation shared with analysts and investors regarding the 2024 results available at the link: https://avio-data.teleborsa.it/2025%2f2025_03_13-Avio-FY-2024-results_v16_20250313_051210.pdf

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- in the institutional presentations for investors and analysts on the approval of the 2024 Half-Year Report³² and the Additional Quarterly Disclosures of 2024³³ and in the relative Press Releases³⁴ available on the company website in the "Investors" section;
- in the other presentations for investors and analysis other than the approval of the 2024 Half-Year Report and the Additional Quarterly Disclosures for 2024, available on the website of the Company in the "Investors" section.

Operating Results

The table below presents the Group operating performance for 2024 and 2023 (in Euro thousands):

	FY 2024	FY 2023	Change 2019 - 2018
Revenues	480,420	343,696	136,724
of which: Pass-through revenues	38,868	5,000	33,868
Revenues, net of pass-through revenues	441,552	338,696	102,856
Other operating revenues and changes in inventory of finished products, in progress and semi-finished	11,410	21,700	(10,291)
Costs for goods and services, personnel, other operating costs, net of capitalised costs & pass-through	(426,977)	(339,357)	(87,620)
Effect valuation of investments under equity method - operating income/(charges)	(166)	(528)	362
EBITDA	25,819	20,511	5,308
Amortisation, depreciation and write-downs	(17,436)	(15,283)	(2,153)
EBIT	8,383	5,228	3,155
Interest and other financial income (charges)	(1,620)	1,413	(3,033)
Net financial income/(charges)	(1,620)	1,413	(3,033)
Investment income/(charges)	-	-	-
Profit before tax	6,764	6,641	122
Current and deferred taxes	(378)	(17)	(361)
Net profit for the year	6,385	6,624	(239)

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 "P120C" thruster for Vega-C and Ariane 6 launches. As a result of the implementation of these agreements, the Avio Group consolidated revenues 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.

³² See also the presentation of the H2 2024 highlights at the link: https://avio-data.teleborsa.it/2024%2f2024_09_12-Avio-1H2024-highlights_vDEF_20240912_094041.pdf

³³ See also 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

See also the presentation of the Q1 2024 highlights at the link: https://avio-data.teleborsa.it/2024%2f2024_11_08-Avio-9m2024-highlights_vDEF_20241108_061448.pdf

³⁴ See also the May 8, 2024 press release at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-q1-2024/MXxjb211bmljYXRpLjE3NzEwMDAwMDIOMXwxfDIwMjUwMjE2>

See also the press release dated September 11, 2024 at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-1h-2024/MXxjb211bmljYXRpLjE3NzEwMDAwMDIOMXwxfDIwMjUwMjE2>

See also the press release dated November 8, 2024 at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-9m-2024/MXxjb211bmljYXRpLjE3NzEwMDAwMDIOMXwxfDIwMjUwMjE2>

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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.

Revenues net of "pass-through" revenues were Euro 441,552 thousand in 2024, up Euro 102,856 thousand (+30.4%) on 2023. This net increase is mainly attributable to the increased defence solid propulsion production activities and for the NextGen EU and Vega-E development projects. These revenues exceed the Guidance for 2024 (Euro 370-390 million) as reported in the 2024 results press release of March 13, 2025³⁵.

The table below presents net revenues by business line (in Euro thousands):

	FY 2024	FY 2023	Change 2019 - 2018
Vega	205,557	174,104	31,453
Ariane	75,267	67,711	7,555
Technology Development Projects (NextGen EU)	87,394	45,840	41,554
Defence	69,829	46,040	23,789
Satellite and other activities	3,506	5,001	(1,495)
Revenues, net of pass-through revenues	441,552	338,696	102,858

EBITDA in 2024 amounted to Euro 25,819 thousand, in line with Guidance for 2024 (Euro 21-26 million), as reported in the press release on the 2024 results of March 13, 2025³⁶.

The EBITDA performance compared to 2023 mainly owes to the contribution from revenues, the decrease in energy costs and the reduction in non-recurring charges, mainly concerning the Vega C return to flight. Similar considerations are applicable to EBIT (Euro 8,383 thousand, increasing Euro 3,155 thousand on FY 2023), net of amortisation and depreciation.

The result for 2024 was also shaped by the research and development tax credit of Euro 1,796 thousand (Euro 2,729 thousand in 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.

³⁵ Avio's website, in the "Investors" section: <https://investors.avio.com/Investors/Financial-Announcements/>;

³⁶ Avio's website, in the "Investors" section: <https://investors.avio.com/Investors/Financial-Announcements/>;



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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 2024 and 2023 are reported below:

	FY 2024	FY 2023	Change 2019 - 2018
Adjusted EBITDA	31,282	28,028	3,254
Adjusted EBITDA Margin (against revenues net of pass-through revs.)	7.1%	8.3%	
Adjusted EBIT	13,846	12,744	1,102
Adjusted EBIT Margin (against revenues net of pass-through revs.)	3.1%	3.8%	

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.

2024 Adjusted EBITDA was Euro 31,282 thousand (7.1% of net revenues) and is in line with 2024 Guidance (Euro 28-33 million), increasing on Euro 28,028 thousand in 2023 (8.3% of net revenues). This performance mainly relates to the contribution of the increased defence solid propulsion production activities, the increased technology project development activities (NextGen EU) and for the P160 engine, in addition to lower energy costs.

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.

2024 Adjusted EBIT was Euro 13,846 thousand (3.1% of net revenues), increasing Euro 1,102 thousand on Euro 12,744 thousand in 2023 (3.8% of net revenues). The increase in Adjusted EBIT reflects the same underlying developments as for the movement in Adjusted EBITDA, net of the effect of amortisation and depreciation in the year.

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

	FY 2024	FY 2023	Change 2019 - 2018
A EBIT	8,383	5,228	3,155
Non-recurring Charges/(Income) comprising:			
- exploratory activities of potential new business	4,709	2,494	2,215
- new European launcher governance	967	-	967
- Other non-recurring charges/(income)	198	565	(367)
- corporate, legal and financial consultancy	534	1,533	(998)
- COVID-19 costs	-	312	(312)
- settlement agreements/incentives/other personnel costs	(95)	749	(844)
- 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).	(850)	1,863	(2,713)
- registration tax provision	(58,220)	-	(58,220)
- (indemnity) registration tax	58,220	-	58,220
B Total Non-recurring Charges/(Income)	5,463	7,516	(2,053)
C Adjusted EBIT A+B	13,846	12,744	1,102
D Net amortisation & depreciation	17,436	15,283	2,153
E Adjusted EBITDA C+D	31,282	28,028	3,254

"Exploratory activities of potential new business" refers to the costs of the exploratory activities of the US business.

The "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" (mainly included in the provisions for risks and charges and for a minor amount as an adjustment of inventories)" mainly concerns 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 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 movement in the "Registration Tax Provision" and "(Indemnity) Registration tax" follows the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for Avio S.p.A. of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand in 2016 therefore no longer apply. These items were recognised following the receipt from the Tax Agency of a settlement notice relating to registration, mortgage and land tax concerning the corporate transactions 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;

Financial results analysis

FY 2024 showed net financial charges of Euro 1,620 thousand, while last year net financial income of Euro 1,413 thousand was reported; the reduction in the contribution of Euro 3,033 thousand is mainly attributable to: (i) the settlement procedure which will be formalised with the Tax Agency following a tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the company to recognise deferred tax assets for a corresponding amount, as well as (ii) lower interest income accrued on time deposits.

Income taxes

2024 Income taxes include Euro 670 thousand of IRAP (Euro 94 thousand in 2023). The increase is due to the completion at the end of 2023 of deductible amortisation relating to the goodwill of past corporate transactions, Euro 5,983 thousand for taxes from previous years, Euro 7,171 thousand of deferred tax recognition income, and Euro 850 thousand of deferred tax charges related to provisions for risks and charges (income of Euro 206 thousand in 2023). Taxes for previous years and deferred tax recognition income relate to the settlement procedure which will be formalised with the Tax Agency following a tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

Balance Sheet

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

	December 31, 2024	December 31, 2023	Change
Tangible assets and investment property	177,175	159,651	17,524
Right-of-use	11,693	8,513	3,180
Goodwill	62,829	62,829	-
Intangible assets with definite life	128,757	126,222	2,535
Investments	17,416	17,582	(166)
Total fixed assets	397,870	374,797	23,073
Net working capital	(204,952)	(163,571)	(41,381)
Other non-current assets	7,942	67,600	(59,658)
Other non-current liabilities	(15,852)	(75,062)	59,210
Net deferred tax assets	87,547	81,200	6,347
Provisions for risks & charges	(42,302)	(43,838)	1,535
Employee benefits	(9,493)	(8,916)	(577)
Net Capital Employed	220,759	232,210	(11,451)
Non-current financial assets	2,010	2,010	-
Net capital employed & Non-current financial assets	222,769	234,221	(11,451)
Net financial position	90,091	76,132	13,959
Equity	(312,860)	(310,353)	(2,507)
Source of funds	(222,769)	(234,221)	11,451

"Total fixed assets" amounted to Euro 397,870 thousand at December 31, 2024, a net increase of Euro 23,073 thousand on December 31, 2023 as a combined effect of the following main movements:

- a net increase of Euro 17,524 thousand in Property, plant and equipment and Investment property, primarily due to investments, totalling Euro 30,053 thousand and mainly related to the investments in plant and machinery and to extraordinary maintenance, net of depreciation for the period;
- a net increase of Euro 3,180 thousand in Rights-of-use, mainly due to the net effect of new contracts of use, in particular the lease of the new offices of Avio S.p.A's Paris Branch and the vehicle contracts, in addition to the termination of previous contracts net of depreciation for the period;
- a net increase in Intangible Assets with a definite life of Euro 2,535 thousand, due to:
 - investments for Euro 12,011 thousand, mainly relating to design and testing and for the construction of the new engines and avionics elements;
 - decrease for amortisation for the year amounting to Euro 9,476 thousand.
- net decrease in Equity investments for Euro 166 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.

"Other non-current assets" and "Other non-current liabilities" in the balance sheet overall decreased by Euro 59,658 thousand and Euro 59,210 thousand respectively on the previous year. The decrease is mainly due to the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for the Company of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand therefore no longer apply. These items were recognised to the financial statements in 2016 following the receipt from the Tax Agency of a settlement notice relating to registration, mortgage and land tax, for a total amount of Euro 58,220 thousand, 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 sector of the Avio Group) to the General Electric Group; In 2020 the Tax Agency appealed the

second instance judgment, favourable to the Company, to the Court of Cassation, which itself filed a timely counter-appeal.

The recognition of the above-mentioned receivable from the General Electric Group was based on specific contractual clauses by which this latter was 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 was 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 204,952 thousand, with an improvement on the previous year of Euro 41,381 thousand. The main components are outlined in the following table (in Euro thousands):

	December 31, 2024	December 31, 2023	Change
Contract work-in-progress, net of advances	(400,620)	(329,357)	(71,263)
Inventories	147,943	123,122	24,821
Advances to suppliers	166,158	161,305	4,853
Trade payables	(109,213)	(113,159)	3,946
Trade receivables	3,074	2,944	130
Other current assets and liabilities	(12,294)	(8,425)	(3,869)
Net working capital	(204,952)	(163,571)	(41,381)

The negative "Net working capital" (current trading) increased due to the cyclical nature of advances from clients, in addition to the advancement of the production and development orders partially offset by the strategic supply procurement dynamics.

"Other current assets and liabilities" in Net working capital increased by Euro 3,869 thousand from the previous year. The main components are shown below (in Euro thousands):

	December 31, 2024	December 31, 2023	Change
VAT receivables	8,779	5,383	3,396
Research and development tax credits, technological innovation and industry 4.0.	7,372	6,775	597
Current tax receivables	2,726	3,866	(1,140)
Other current assets	4,293	7,037	(2,744)
Current income tax liabilities	(3,359)	(2,513)	(847)
Other current liabilities	(32,105)	(28,973)	(3,132)
Other current assets and liabilities	(12,295)	(8,425)	(3,869)

"VAT Receivables" increased Euro 3,396 thousand compared to the previous year, due to the VAT receivables accrued in the period of Euro 6,247 thousand, net of offsets and reimbursements for Euro 2,851 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 7,372 thousand, 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 charges related to the return to flight of Vega C, net of the compensation expected from the European Space Agency and provisions for the future execution of programmes established previously. As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

The net reduction in the year resulted mainly from utilisations for charges in the year, as well as releases due to the fact that the prerequisites for the provision for the future execution of programmes were no longer met, as explained in greater detail in the Explanatory Notes, to which reference should be made, partially offset by the provision related to the tax audit described above.

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):

	December 31, 2024	December 31, 2023	Change
A Cash and cash equivalents	(101,684)	(95,593)	(6,091)
B Other liquidity	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A+B+C)	(101,684)	(95,593)	(6,091)
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	3,014	1,772	1,241
F Current portion of non-current debt	2,003	10,018	(8,015)
G Current financial debt (E+F)	5,017	11,790	(6,774)
H Net current financial debt (G-D)	(96,668)	(83,803)	(12,865)
I Non-current financial debt (excluding current portion and debt instruments)	6,577	7,671	(1,094)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	6,577	7,671	(1,094)
M Total financial debt (H + L)	(90,091)	(76,132)	(13,959)

At December 31, 2024, the Avio Group reports a net cash position of Euro 90,091 thousand, 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, increased from a positive balance of Euro 76,132 thousand at December 31, 2023 to a positive balance of Euro 90,091 thousand, increasing Euro 13,959 thousand, principally due to the cyclical nature of operating cash flows, in addition to capital expenditures.

The current financial debt, amounting to Euro 5,017 thousand (Euro 11,790 thousand at December 31, 2023), includes:

- the financial liability related to the current portions of two EIB loans, amounting to Euro 2,003 thousand (Euro 10,018 thousand at December 31, 2023), which includes:
 - two instalments of the total loan granted of Euro 10 million (of which Euro 1 million due on April 30, 2025 and Euro 1 million due on October 31, 2025);
 - the accrued interest amounting to Euro 3 thousand.
- current financial liabilities for leased assets of Euro 2,992 thousand (Euro 1,747 thousand at December 31, 2023);
- other current financial liabilities for Euro 21 thousand (Euro 26 thousand at December 31, 2023).

The non-current financial debt, amounting to Euro 6,577 thousand (Euro 7,671 thousand at December 31, 2023), includes:

- non-current financial liabilities, mainly for leased assets of Euro 6,547 thousand (Euro 5,620 thousand at December 31, 2023);
- other financial liabilities for Euro 30 thousand (Euro 51 thousand at December 31, 2023).

Statement of changes in Equity

Consolidated equity at December 31, 2024 amounts to Euro 312,861 thousand, increasing Euro 2,508 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 2024 consolidated net profit of Euro 6,385 thousand;
- positive effect from the recognition of the stock grant reserve for Euro 2,218 thousand;
- negative effect of actuarial losses of Euro 23 thousand;
- negative translation effect of financial statements in foreign currencies of Euro 13 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), the Ministry for enterprises and made in Italy (MIMIT), 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 overall by the Avio Group in 2024 amounted to Euro 217.4 million (Euro 126.7 million in 2023), equating to 45.2% of gross consolidated revenues in 2024 (36.9% in 2023).

Own self-financed activities in 2024 amounted to Euro 4.9 million (Euro 7.7 million in 2023) and include Euro 2.4 million relating to development costs capitalised as Intangible assets with definite life (Euro 5.2 million in 2023) and Euro 2.6 million concerning research costs or development costs not capitalisable and directly recharged to the income statement (Euro 2.5 million in 2023).

The total amount of costs related to self-financed activities charged to the income statement in 2024 was Euro 6.1 million (Euro 5.8 million in 2023), comprising Euro 2.6 million of directly expensed non-capitalisable costs (Euro 2.5 million in 2023) and Euro 3.5 million for the amortisation of development costs capitalised (principally) in previous years (Euro 3.3 million in 2023).

In 2024, Avio continued its innovation upon the main product lines, harmonising basic research, applied research and pre-competitive development activities.

Solid Propulsion

In Avio's strategic vision, solid propulsion represents 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.

Avio in 2024 successfully met all the goals associated with the return to Flight of the Vega C Launcher: finalisation of an optimised Z40 engine design; execution of 2 Z40 fire tests in May 2024 and October 2024 respectively; and the Vega C flight in December 2024 that carried into orbit Sentinel 1C, a satellite of the Copernicus family dedicated to global Earth observation using advanced radar technology.

In addition, in continuity with previous years, research and development continued on new energetic materials, with a particular focus on the formulation and production of advanced high-performance yet reduced environmental impact solid propellants. The development of the new propellants focuses on characteristics and performance that will enable their use on future engines in the class of those already qualified for Ariane and Vega launchers and those that will be used on future defence systems.

Regarding the development of advanced components and structures, the verification continued of 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 2024, work continued on the design and testing of the cryogenic propulsion LPM system aimed at managing the propellant needed to fuel the M10 motor. 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 M10 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. This allowed the start and continuation, during the first half of 2022, of the fire test campaign 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, DM2, was finalised in 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 first half of 2025.

The introduction of the innovative high-performance M10 engine will enable the Vega E launcher to carry a payload of approximately three tons into orbit - therefore significantly more than the 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 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 by additive layer manufacturing (ALM) to an innovative thermodynamic design that maximizes its specific impulse.

Space Transport Systems

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.

At the end of 2024, the development of the HERA propulsion system concluded, 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 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 2024 in the scope of research and development activities financed under the National Recovery and Resilience Plan, development continued 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

During 2024, following the completion of the qualification activities for the CAMM ER engine, the aging program (being finalized) continued and activities for the production contract for the Italy MoD and Export began. In addition, a contract was acquired with MBDA Italia S.p.A. for Avio to supply propulsion engines for the CAMM-ER (Extended Range) missiles, as well as a contract to increase production accruals. A concept phase for the CAMM MR programme was, in addition, carried out.

Regarding the Aster programme, production continued on the Italian, French and UK Ministry of Defence orders, and finally, on request and financing from MBDA, activities began 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 in the first half of the year and the DM2 bench test in the second half of the year and supported MBDA in the first FO Missile launch at PISQ in Sardinia.

In the second half of 2024, the HYDIS contract was acquired. European consortium, with OCCAR support, for participation in a consortium allowing Avio to collaborate on the design and production of a hyper-sonic missile which will expand its defence offerings.

In addition, Avio continues discussions with MBDA for participation in the development programme of two more engines for medium and long-range anti-ship missiles and a short-range shoulder-mounted one, of which the first phase has begun.

Under the PNRM (National Military Research Plan), in 2024 the first milestones of the first phase were achieved in collaboration with the School of Aerospace Engineering and MBDA-I to develop a ramjet engine demonstrator. In addition, collaborations on Propulsion Systems development with US customers and partners continued.

COMMUNICATION AND SOCIAL RESPONSIBILITY

Avio promotes its image and its products through participation at major domestic and international aerospace events, regarding also the research and development of new technologies in the 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 featuring Avio are publicised through social media, as well as press releases. This 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.
- July 5 - ESA Board adopts a resolution on European launch services that lays the foundation for Avio to market and manage launches of the Vega family of rockets. The press release issued was picked up by many national and international newspapers.
- July 9 - the maiden flight of Ariane 6, for which Avio is supplying P120C solid-propellant boosters, was successful. On this occasion, a shared viewing event of the launch was organised at the Colleferro office and was connected with the Turin and Airola offices.
- July 23 - Avio signs a contract with Raytheon, a division of 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.

- July 23 - AVIO and the U.S. Army Combat Capabilities Development Command Aviation & Missile Center enter into a partnership to develop and prototype a solid-propellant thruster for surface-to-air applications. The news is picked up and published in the trade press.
- September 5 - successful VV24 flight, Vega's last mission, carrying Europe's Sentinel 2C Earth observation satellite into orbit.
- September 6 - making of the video "Oltre il limite del Cielo - La storia di Vega" (*"Beyond the Limits of the Sky - The Story of Vega"*). To commemorate 12 years since Vega's first flight, Manrico Mastria - Strategic Advisor on Special Projects - tells the story of Vega from its origins to its last flight on video. The video is released on the YouTube channel.
- September 11 - Press release regarding the financial results for the first half of 2024.
- September 16 - Avio participates with a booth and meeting room at the "World Space Business Week 2024" exhibition held September 16-18 in Paris. The globally significant event in the space sector brings together 1,600 decision makers for a week of agreements and intense discussions that shape the future of the industry. Chief Executive Officer Giulio Ranzo participates as a speaker in the panel "Thrust and Trust: Enabling Space Transportation".
- September 18 - Marino Fragnito is Avio's new Chief Commercial Officer & Launch Service Director. The news is disseminated externally through a press release and internally through a news item on the intranet.
- September 18 - Avio organises the "Vega Day" event at the Italian Embassy to France, a day dedicated to the 12 years of operation of the Vega space launcher and the prospects for the return to flight and commercialisation of the enhanced version of the Vega C launcher. Among the speakers along with Chief Executive Officer Giulio Ranzo were: Emanuela D'Alessandro - Italian Ambassador to France, Josef Aschbacher - ESA General Manager, Teodoro Valente - ASI (Italian Space Agency) President, Stéphane Israël, CEO of Arianespace.
- October 3 - the second and final ignition test of the Zefiro 40, carried out at the Perdasdefogu test bench in Sardinia, was successfully completed. This paves the way for the return to flight of the Vega C. The news was picked up by numerous industry magazines.
- October 10 - solidarity at Avio: a day dedicated to selling apples with the goal of raising funds to be donated to Multiple Sclerosis Research. Employees had the opportunity to purchase a bag of apples with a minimum donation of 10€, or to donate the bag to those most in need. Thanks to everyone's generosity and the presence of AISM volunteers, 100 bags of apples were distributed, totalling about €1045 raised in support of research.
- October 11 - Avio is Silver Sponsor of the International Astronautical Congress 2024, the world's main space sector event, held in Milan between October 14-18. Avio's stand featured "Vega Mission 2.0", a 3D experience of a Vega C launch, with all the detailed stages.
- October 14 - filming and interviewing of the Chief Executive Officer Giulio Ranzo at the Avio stand at the IAC for the Countdown programme aired on Skytg 24.
- October 17 - the M10 and M60 engines are renamed MR10 and MR60 to honour the memory of the engineer Mikhail Rudnykh - a colleague who died prematurely - as a mark to his invaluable contribution to the aerospace industry.
- October 24 - Avio hosts the delegation to Italy from the ASEAN countries at its facilities in Colleferro, as part of the "ASEAN-Italy Cooperation Initiative on Space and Smart Technologies".
- October 29 - Avio USA has chosen ACMI Properties to conceive and design its first solid-propellant engine production plant in the United States.
- November 4 - on the occasion of the first Anniversary of engineer Depasquale's untimely death, the CNES approved the naming of a street after him and the installing of the related signage at the Guyanese Space Center in Kourou.
- November 8 - dissemination of the 2024 nine-month results through a dedicated press release.
- November 11 - annual "Seniority Awards" event, a special moment dedicated to employees who have reached the major milestones of 25 and 35 years at Avio.
- November 14 - "Ad un passo dal traguardo: assistenza e vigilanza nelle aziende del territorio della ASL Roma 5" (*"One step away from the finish line: assistance and supervision at the companies of the ASL Rome 5 health district"*) organised on the occasion of Workplace Health and Safety Day. Avio was chosen by ASL RM 5 as an example of excellence in the area, thanks to the ongoing attention on the health, prevention and protection of its employees.

- November 19 - Avio was selected by the Ministry of Enterprise and Made in Italy for the "The Italy of Patents. Successful Inventions and Innovations" exhibition. The exhibition, which opened in the presence of Minister Adolfo Urso, was hosted at the "Palazzo Piacentini" in Rome.
- November 19 - event dedicated to the naming of Meeting Room 10 after Mikhail Rudnykh, Our colleague who passed away prematurely. The ceremony, held at the Depasquale Auditorium, was attended by a large number of colleagues, as well as Mikhail's family members.
- November 25 - a card was posted on social media on the occasion of "International Day Against Violence Against Women".
- December 4 - reporters accredited to cover the launch of the VV25 mission of Vega C in Kourou, French Guiana, including SkyTg24 and RaiNews24, carried out interviews with several members of our team and Chief Executive Officer Giulio Ranzo ahead of the VV25 mission launch.
- December 4 - Avio has signed a contract with MBDA Italy to supply propulsion engines for the CAMM-ER missiles produced by MBDA.
- December 6 - Vega C successfully launched the Earth observation satellite Sentinel-1C. The news was picked up by newspapers such as: Sole24 Ore, MF, La Stampa, Il Messaggero and Spacenews.
- December 12 - Avio announces its presence at the New Space Economy ExpoForum December 16-18 at the "Fiera di Roma" Convention Centre. Wednesday 18 at 12.20PM the AMOI - Advanced Materials Open Infrastructure project was presented at the Arena by Ms. Simone Gaeta - Tenders and Funding Manager - in the presence of Metropolitan City Deputy Mayor Pierluigi Sanna. In addition, the HR team, in a special room in the pavilion, had the opportunity to meet and talk with a number of college students ready to enter the working world.
- December 13 - Chief Executive Officer Giulio Ranzo and Giovanna Manca - Launch Systems Preparation Manager - are filmed and interviewed for the fourth episode of Quasar airing December 14 on Rai 2. The initiative was carried out in collaboration with the Leonardo Foundation.
- December 16 - Christmas event at the factory for all employees. After a short speech by Chief Executive Officer Giulio Ranzo and Chief Operating Officer Rosario Esposito, a lunch was held and a small gift was given to wish everyone a happy holiday season.
- December 18 - Vega C will launch FORUM mission for ESA in 2027 FORUM is a 900 KG satellite that will be placed in sun-synchronous orbit at an altitude of approximately 830 KM and will fly in tandem with the Metop-SG A1 satellite, developed by ESA for EUMETSAT, the European Organization for Meteorological Satellites.
- December 18, 2024 - the ESA signed several contracts with Avio to continue development of the next-generation launcher, Vega-E, and increase the number of annual flights of the Vega-C rocket.
- December 23 - Press release for the ESA's Zero Debris Charter, the ambitious review of the agency's internal guidelines for space debris mitigation. The news was released externally through a press release and a social media post.

GROUP PRINCIPAL RISKS AND UNCERTAINTIES

Risks relating to the war in Ukraine

As reported in the 2023 Annual Financial Report and in the Half Year Report at June 30, 2024, 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-C launcher (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.

With regard to the main engine of the 4th stage for the Vega-C launcher, the status of supplies already in Colleferro, by virtue of the advance orders placed as early as 2017, allows the continuation without discontinuity of industrial activity with respect to the VEGA-C programme 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 and technical and industrial actions were initiated to mitigate the long-term supply risk through the development of complementary technological solutions, which are currently under development.

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 and 2024 half-year 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-C programme.

As these assessments gradually matured, they were promptly reported in the press releases dated February 25, 2022³⁷, March 25, 2022³⁸, July 17, 2022³⁹, and September 9, 2022⁴⁰ and are still accurate.

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

At December 31, 2024, Avio had outstanding advances to Ukrainian suppliers totalling Euro 8.0 million, of which:

- Euro 0.5 million related to the procurement of raw materials for the production of 4 MEA engines for Batch 4 of Vega C; this amount is expected to be recovered with the deliveries of the MEA engines by the first half of 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 and Euro 1.9 million paid in 2024 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-C launcher. Currently, carbon-carbon inserts of Arianespace 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).

As also stated in the 2024 annual financial report, 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, over the medium term, funds have been received and a project has been initiated to develop an orbital engine in Italy under the Next Gen EU project.

Risk Assessment Update

The risk assessment activity carried out at December 31, 2024, 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 13, 2025.

³⁷ See the press release at the link: <https://www.avio.com/it/comunicati-stampa/operativita-di-vega-non-impattata-dai-recenti-eventi-in-ucraina>

³⁸ See the press release at the link: https://www.avio.com/sites/avio.com/files/attachments/20220323_CS%20Ukraine%20update_v_ITA_DEF.pdf

³⁹ 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-termine/MXxjb211bmJYXRpLjE3NzEwMDAwNDUyMDIyMXwxfDIwMjQwMzIx>

⁴⁰ See the press release at the link: <https://syndication.teleborsa.it/Avio/Financial-Announcements/risultati-avio-1h-2022/MXxjb211bmJYXRpLjE3NzEwMDAwNDUyMDIyMXwxfDIwMjQwMzIx>

General economic 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 space 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 2024, energy costs were lower than the high levels experienced in 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.

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 2024, the backlog grew 27% 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 no longer a Launch Service Provider with regards to 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 states⁴¹.

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;
- 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;

⁴¹ 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

- 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.

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 addition, the ESA Board adopted on July 5, 2024 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-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025. For launches after VV29, Avio will be the only launch service provider and operator of Vega C; at present most of the customers who have signed contracts for launch services with Vega C have accepted this option; the formalities associated with the transfer process are underway with an expectation of completion during H1 2025.

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 launch service provider 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.

SUBSEQUENT EVENTS

Business

ESA Zero Debris Charter with BULL Co., Ltd.

On January 15, 2024, Avio signed the ESA Zero Debris Charter and is fully committed to compliance thereto. All components of the Vega C launcher are systematically de-orbited following launch, including the AVUM+ last stage, which performs an atmospheric re-entry manoeuvre to clear orbit following satellite deployment.

We consider in this regard the recent signing of a Memorandum of Understanding (MOU) with BULL Co., Ltd., a Japanese start-up developing a space debris prevention device, to study the application of an innovative space debris prevention device aboard the Vega C rocket. The collaboration with BULL will further improve Vega C's respect for the orbital environment.⁴²

First bi-propellant ignition tests successfully carried out⁴³

In February 2025, the first ignitions in bipropellant mode of the first prototype of the MPGE, Multi Purpose Green Engine, were successfully carried out on a test stand - also built as part of the project - at Avio's facilities. The engine ignited correctly, achieved the expected steady-state thermal conditions and chamber pressure, demonstrated better-than-expected combustion efficiency, and performed a correct and stable ignition and shutdown sequence. In addition, good accuracy of the regenerative cooling model was demonstrated.

The MPGE, Multi Purpose Green Engine, is a green engine that uses hydrogen peroxide and kerosene as propellants completely designed, manufactured, assembled and tested in Italy. The project, developed under the National Recovery and Resilience Plan, is executed by Avio and coordinated by the ASI (Italian Space Agency), with contributions from SMEs, universities and startups.

Success for Ariane 6 flight VA263⁴⁴

On March 6, 2025, the Ariane 6 launcher successfully completed flight VA263 from the Guiana Space Centre, putting the CSO-3 satellite into orbit for the French Armed Forces. Avio is partner of the 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 engines provided more than 80% of take-off thrust, ensuring optimal performance. Avio will continue to supply these boosters, which will be used in a two or four-unit configuration depending on the payload to be carried to orbit.

Avio is also developing a more powerful version of the booster, called the P160, which will increase the launcher's thrust and payload capacity. The P160 will be the world's largest carbon fibre monolithic engine and will also be used by the Vega C.

Update with reference to Avio's progressive assumption of the Launch Service Operator (LSO) and Launch Service Provider (LSP) functions of Vega C

With reference to what is reported in the section "Group principal risks and uncertainties", at present most of the customers who have signed contracts with ArianeEspace for Vega C launch services have expressed their consent to the transfer of these contracts to Avio; the formalities associated with the transfer process are being finalised with an expectation of completion in the first half of 2025.

⁴² See also the January 15, 2025 press release at the link: <https://www.avio.com/it/comunicati-stampa/prevenzione-dei-detriti-spaziali-con-nuovo-dispositivo-su-vega-c>

⁴³ See also the February 24, 2025 press release at the link: <https://www.avio.com/it/comunicati-stampa/motore-mpge-effettuati-con-successo-primi-test-di-accensione-bi-propellente>

⁴⁴ See press release of March 6, 2025 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-va263-dellariane-6>

OUTLOOK

In the context of that reported in the "Strategy" section of the Directors' Report, in 2025 the next planned missions of the Vega C launcher are expected to be completed. Following the last Vega launcher flight, which was successfully completed on September 5, 2024⁴⁵, with the launch of the Sentinel 2-C satellite, 2024 saw the successful return to flight of the Vega C launcher which, with the VV25 mission, on December 6, 2024⁴⁶ placed in orbit the Earth observation satellite Sentinel-1C, a mission of the European Commission's Copernicus programme. The next launch of Vega C (VV26-expected in the second quarter of 2025) will carry Biomass into orbit, a mission which is part of the ESA's Earth Explorers programme designed to provide crucial information about the state of our forests.

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), in consideration of the ESA's Resolution of July 5, 2024, commented upon in the Half-Year Financial Report⁴⁷, 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. It was in this context that on December 18, 2024, Avio signed its first contract with the ESA as a launch service provider, under which the Vega C launcher will launch the FORUM mission in 2027⁴⁸.

Following Ariane 6's maiden flight on July 9, 2024⁴⁹, in addition to its first commercial flight, successfully concluded on March 6, 2025⁵⁰, a gradual increase in 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.

A new Ministerial Conference of ESA Member States is also expected in November 2025, following which allocations for space research and access programmes for the next three years, including those for which Avio is a prime contractor, will be determined.

In addition, defence sector tactical propulsion activities are possibly expected to continue to expand in Europe in light of recent statements, as well as the order signed on December 4, 2024 with MBDA Italy for the supply of solid propulsion engines for the CAMM-ER missiles produced by MBDA⁵¹, for a value of about Euro 150 million, in addition to the two new strategic partnerships signed by Avio on July 23, 2024⁵² with U.S. counterparts Raytheon and the U.S. Army.

As reported in the press release issued on the 2024 Results of March 13, 2025, and in the 2024 Results presentation of March 13, 2025⁵³, the forecasts are for a Backlog of between Euro 1,700 million and Euro 1,800 million, net revenue of between Euro 450 million and Euro 480 million, Reported EBITDA of between Euro 27 million and Euro 33 million (including non-recurring costs of approx. Euro 3 million), and net profit of between Euro 7 million and Euro 10 million.

As also stated in the 2024 annual financial report, 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

⁴⁵ See also the September 5, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

⁴⁶ See also the press release dated December 6, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-missione-vv25-del-vega-c-sentinel-1c-orbita>

⁴⁷ See also the press releases of November 6, 2023 and July 5, 2024 at the following links: <https://www.avio.com/it/comunicati-stampa/consiglio-ministeriale-esa-importanti-decisioni-su-ariane-6-vega-c-vega>
<https://www.avio.com/it/comunicati-stampa/le-decisioni-del-consiglio-esa-pongono-le-basi-servizi-di-lancio-europei-piu>

⁴⁸ See also the press release dated December 18, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/vega-c-lancera-missione-forum-lesa-forum-nel-2027>

⁴⁹ See press release of July 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

⁵⁰ See press release of March 6, 2025 at the following link: <https://www.avio.com/it/comunicati-stampa/successo-volo-va263-dellariane-6>

⁵¹ See also the press release dated December 4, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/concluso-contratto-tra-avio-mbda-italia-fornitura-di-motori-missili-camm-er>

⁵² 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>

⁵³ See also the March 13, 2025 press release and the 2024 results presentation shared with analysts and investors at the following links: <https://www.avio.com/it/comunicati-stampa/risultati-esercizio-2024>
https://avio-data.teleborsa.it/2025%2f2025_03_13-Avio-FY-2024-results_v16_20250313_051210.pdf

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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, over the medium term, funds have been received and a project has been initiated to develop an orbital engine in Italy under the Next Gen EU project.

These assessments were promptly reported in the press releases dated February 25, 2022, March 25, 2022, July 17, 2022 and September 9, 2022⁵⁴ and are still accurate.

RESULTS & EQUITY AND FINANCIAL POSITION OF AVIO S.P.A.

Earnings and financial results

Results

The following table compares the company performance in 2024 and 2023 (in Euro thousands):

	FY 2024	FY 2023	Change
Revenues	474,979	339,813	135,166
of which: Pass-through revenues	38,868	5,000	33,868
Revenues, net of pass-through revenues	436,111	334,813	101,298
Other operating revenues and changes in inventory of finished products, in progress and semi-finished	8,821	15,869	(7,047)
Costs for goods and services, personnel, other operating costs, net of capitalised costs & pass-through	(417,765)	(330,686)	(87,079)
EBITDA	27,167	19,996	7,171
Amortisation, depreciation and write-downs	(20,109)	(17,766)	(2,343)
EBIT	7,058	2,230	4,828
Interest and other financial income (charges)	(2,163)	(69)	(2,094)
Net financial income/(charges)	(2,163)	(69)	(2,094)
Investment income/(charges)	2,200	3,000	(800)
Profit before tax	7,095	5,161	1,934
Current and deferred taxes	897	548	349
Net profit for the year	7,992	5,708	2,283

Revenues net of "pass-through" revenues were Euro 436,111 thousand in 2024, up Euro 101,298 thousand (+30%) on 2023. This net increase is mainly attributable to the increased defence solid propulsion production activities and the increased [NextGen EU](#) development project activities.

EBITDA in 2024 was Euro 27,167 thousand, up Euro 7,171 thousand on 2023. The increase mainly owes to the contribution from revenues, the decrease in energy costs and the reduction in non-recurring charges, mainly concerning the Vega C return to flight. Similar considerations are applicable to EBIT of Euro 7,058 thousand (Euro 2,230 thousand in FY 2023), net of amortisation and depreciation.

The result for 2024 was also shaped by the research and development tax credit of Euro 1,796 thousand (Euro 2,729 thousand in 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 further information on the operating performance, reference should be made to the preceding section of the Directors' Report "Analysis of the results and balance sheet of the Group".

"Investment income/(charges)" concerns income of Euro 2,200 thousand from the dividend received from the jointly-controlled company Europropulsion S.A..

Balance Sheet

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

	December 31, 2024	December 31, 2023	Change
Property, plant and equipment	129,694	115,413	14,280
Right-of-use	26,754	28,966	(2,212)
Goodwill	61,005	61,005	-
Intangible assets with definite life	126,877	124,133	2,744
Investments	97,188	93,464	3,724
Total fixed assets	441,518	422,982	18,536
Net working capital	(222,670)	(179,401)	(43,269)
Other non-current assets	4,222	63,751	(59,529)
Other non-current liabilities	(15,212)	(74,755)	59,542
Net deferred tax assets	84,533	77,336	7,198
Provisions for risks & charges	(26,029)	(26,666)	637
Employee benefits	(7,538)	(7,194)	(343)
Net Capital Employed	258,825	276,053	(17,228)
Non-current financial assets	2,159	2,010	149
Net capital employed & Non-current financial assets	260,984	278,063	(17,079)
Net financial position	30,419	9,153	21,266
Equity	(291,403)	(287,216)	(4,187)
Source of funds	(260,984)	(278,063)	17,079

For further information on the equity differences, reference should be made to the preceding section of the Directors' Report "Analysis of the results and balance sheet of the Group".

"Right-of-use" in the separate financial statements amounted to Euro 26,754 thousand, exceeding the Euro 11,693 thousand presented in the consolidated financial statements, since Avio S.p.A. has leased plots of land, offices and buildings in the Colleferro business park owned by the subsidiary Se.Co.Sv.Im. S.r.l.; the net decrease on the previous year, of Euro 2,212 thousand, mainly concerns the depreciation in the year, partially offset by the recognition of the right-of-use regarding the offices of the Paris Branch.

Analysis of the financial position

At December 31, 2024, the parent company Avio reported a negative net financial debt (net cash) of Euro 30,419 thousand, with liquidity exceeding financial liabilities. The net financial debt in the comparative year 2023 was also negative at Euro 9,153 thousand, for the same reason.

A statement follows of Avio S.p.A.'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):

	December 31, 2024	December 31, 2023	Change
A Cash and cash equivalents	(94,993)	(87,872)	(7,121)
B Other liquidity	(1,666)	(1,977)	311
C Other current financial assets	-	-	-
D Liquidity (A+B+C)	(96,658)	(89,848)	(6,810)
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	44,986	48,943	(3,958)
F Current portion of non-current debt	2,003	10,018	(8,015)
G Current financial debt (E+F)	46,989	58,961	(11,973)
H Net current financial debt (G-D)	(49,670)	(30,887)	(18,782)
I Non-current financial debt (excluding current portion and debt instruments)	19,251	21,734	(2,483)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	19,251	21,734	(2,483)
M Total financial debt (H + L)	(30,419)	(9,153)	(21,266)

The net cash position increased from a positive balance of Euro 9,153 thousand at December 31, 2023 to a positive balance of Euro 30,419 thousand, increasing Euro 21,266 thousand, principally due to the cyclical nature of operating cash flows, in addition to capital expenditures.

The current financial debt, amounting to Euro 46,989 thousand (Euro 58,961 thousand at December 31, 2023), includes:

- Current financial liabilities related to the centralised treasury with a number of subsidiaries for Euro 37,175 thousand (Euro 38,907 thousand at December 31, 2023);
- current financial liabilities for leased assets of Euro 7,811 thousand (Euro 10,036 thousand at December 31, 2023);
- the financial liability related to the current portions of two EIB loans, amounting to Euro 2,003 thousand (Euro 10,018 thousand at December 31, 2023), which includes:
 - two instalments of the total loan granted of Euro 2 million (of which Euro 1 million due on April 30, 2025 and Euro 1 million due on October 31, 2025);
 - the accrued interest amounting to Euro 3 thousand.

The non-current financial debt of Euro 19,251 thousand (Euro 21,734 thousand at December 31, 2023) includes the non-current financial liabilities for leased assets for Euro 19,251 thousand (Euro 19,734 thousand at December 31, 2023).

Analysis of equity

Equity at December 31, 2024 amounts to Euro 291,403 thousand, increasing Euro 4,187 thousand on the equity at December 31, 2023 (Euro 287,216 thousand), as a result of the combined effect of the following:

- 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;
- 2024 net profit of Euro 7,992 thousand;
- positive effect from the recognition of the stock grant reserve for Euro 2,218 thousand;
- negative effect of actuarial losses of Euro 24 thousand.

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

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 127/1991, it is disclosed that, in consideration of the share buy-back programme, at December 31, 2024, the Parent Company held 1,091,207 shares, representing 4.14% of the share capital. See also in this regard the "Corporate Governance and Ownership Structure Report" published on the Group's website.

PROPOSAL FOR THE ALLOCATION OF THE RESULT OF AVIO S.P.A.

In inviting you to approve the 2024 Annual Accounts of Avio S.p.A., drawn up as per IFRS and reporting a net profit of Euro 7,992 thousand, we propose the allocation of this result to dividend for Euro 3,750 thousand.

• • •

March 13, 2025

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

CONSOLIDATED SUSTAINABILITY STATEMENT 2024

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ESRS 2 GENERAL DISCLOSURES

1.1 Basis for preparation

The Consolidated Sustainability Statement (or "Declaration", or "Disclosure") provides the reader with clear, accurate, transparent and understandable information on the impacts generated by the AVIO Group in the environmental and social spheres, in addition to impacts pertaining to personnel, respect for human rights and the fight against corruption caused directly or indirectly by the Company, or to which the Company has contributed. The document offers an accurate understanding of the main risks and opportunities associated with the Group's business activities, in addition to the results achieved and the performances in the area of sustainability.

As of fiscal year 2024, as a result of the new provisions introduced by Legislative Decree No. 125/2024, which transposed Directive (EU) 2022/2464 ("CSRD Directive") into Italian law and required certain categories of companies to publish the consolidated sustainability statement in accordance with the new European Standards ("ESRS"), the AVIO Group is responding to these new disclosure requirements.

This Statement has been prepared in accordance with the European Sustainability Reporting Standards (ESRS), as defined by EFRAG to meet the regulatory requirements of the EU under the CSRD. The qualitative and quantitative data and information contained within this document refer to the fiscal year ending December 31, 2024. The sustainability reporting scope includes the companies included in the financial consolidation scope except for companies consolidated under the equity method⁵⁵.

The information provided in this sustainability statement has been prepared to include relevant disclosures on the impacts, risks and opportunities connected to the undertaking and its subsidiaries through its direct and indirect business relationships across the upstream and downstream value chain.

In this document, sensitive strategic product-related information has not been reported, while ensuring that the overall relevance of the disclosure is not compromised. The Group complies with disclosure obligations, providing all other required information and making every reasonable effort to ensure that any omission does not affect the completeness and relevance of the report.

It should be noted that there is no information regarding upcoming developments or issues under negotiation pursuant to Article 3, paragraph 5 of Decree 125/2024.

Definition of short-, medium-, and long-term time horizons

When preparing the Sustainability Statement, the Group adopts the short-, medium-, and long-term time horizons as defined in ESRS 1, Section 6.4, ensuring alignment with sector-specific characteristics, such as financial flows and economic cycles, which users of sustainability statements consider in their assessments, in addition to the typical planning timelines used in decision-making processes.

The AVIO Group, consistent with the requirements of ESRS, has used the following time horizons:

- Short term: the period adopted by the undertaking as the reporting period in its financial statements (i.e. one year);
- Medium term: from the end of the short-term reporting period up to five years
- Long term: more than five years.

Value chain estimation

The enactment of Legislative Decree No. 125/2024 includes, among the changes introduced, mandatory reporting of the metrics in relation to the value chain among which Scope 3 ("indirect") emissions, aimed at measuring the impact in terms of GHG gas generation by the upstream and downstream supply chain. Therefore, for the purpose of the above disclosure, the Group conducted a qualitative/quantitative analysis of the significance and applicability of the 15 Scope 3 Emission categories represented below.

Of the 15 categories identified by the GHG Protocol, three were found to be not applicable to the Group's business, three emerged with a low level of significance, and nine achieved a medium-high level, the threshold above which significance is such that the data is required to be reported.

In particular, this preliminary analysis, which is necessary for the purpose of preliminary contextualization, is the result of a benchmark analysis carried out by Group management based primarily on industry studies, ESG

⁵⁵ For further details on this, please refer to the section "Corporate Structure and geographical presence" within the Directors' Report 2024.

standards and benchmark analysis. Management then carried out further qualitative and quantitative analysis by category considering three quantitative assessment factors: category size relative to business, stakeholder expectation and risk. The arithmetic mean of these factors determines the significance level of the categories. Subsequently, an additional quali-quantitative analysis was conducted by category, consisting on the correlation of three evaluation factors: **Size** (the actual size that with respect to the Group's business a category may represent); **Stakeholder** (i.e., the expectation that affected stakeholders and users of the Sustainability Statement would have in seeing the specific disclosure); and **Risk** (to identify the type of issue and the resulting severity of omission), the arithmetic mean of which defines the level of **significance** for each Scope 3 category.

With reference to the nine categories found to be **significant**, a further detailed assessment was subsequently conducted in view of the fact that some activities and several products of the Avio Group are classified as strategic and/or sensitive due to contractual, institutional or trade secret constraints.

In fact, with reference to these specialized industry activities and products aerospace & defense, any information released regarding indirect environmental impacts could easily make information of a confidential nature deducible to technically competent individuals and experts in that sector, with the risk of causing legal, commercial and economic damage to the Avio Group and of incurring reports of non-compliance with regulations regarding armament materials.

In addition, like the Defense sector, specific Group products pertaining to the space sector have also been listed as armament materials in accordance with current national and international regulations and thus also subject to the inherent restrictions already made explicit.

Therefore, the criteria followed for further in-depth or detailed assessment and the methodological approach used for selecting the category actually reported for the year 2024 are represented below, in compliance with the provisions of EU Delegated Regulation 2023/2772.

Industrial production has been fully reported under Scope 1 (direct) and Scope 2 (indirect) Emissions in an aggregate manner for production processes pertaining to all programs, as they are carried out using all facilities in the industrial territory for their respective processing steps.

Ground testing activities (also called "bench" testing), on the other hand, are non-recurring events in R&D for both the Space and Defense lines of business. In particular, the static dyno test of the Zefiro 40 engine of the second stage of the Vega C launcher has been accounted for, having been the subject of emission authorization by the relevant authorities, Sardinia Region and Ogliastra Province. The GHG conversion factor is, however, not directly applicable as it is excessively specific and peculiar to the business and, therefore, not provided for by the main databases and standard setters so the declaration of the different chemical species was made on the basis of combustion modelling, validated with environmental monitoring carried out in 2017.

As for other bench testing activities, they pertain to research and development activities for prototypes still in the design definition phase, with significant future configuration evolutions, so they are not representative of possible future production and related releases. Belonging to this category are the MR10 cryogenic engine, the MPGE sub-orbital engine and the solid thrusters of the ongoing studies for propulsion systems in Defense.

Methodological examination of categories in Scope 3

The identified categories are listed below:

CATEGORY	SIGNIFICANCE	SIGNIFICANCE THRESHOLD	REPORTING
1. Purchased goods and services	High	3	Subject of reporting
2. Capital goods	Media	2	Subject of reporting
3. Fuel and energy-related activities	Low	1	No

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4. Upstream transportation and distribution	High	3	Subject of reporting
5. Waste generated during operations	Media	2	Subject of reporting
6. Business travelling	Media	2	Subject of reporting
7. Employee commuting	Media	2	Subject of reporting
8. Upstream leased assets	High	3	Subject of reporting
9. Downstream transportation and distribution	Low	1	No
10. Processing of sold products	Not Applicable		
11. Use of sold products	High	3	No
12. End-of-life treatment of sold products	High	3	No
13. Leased assets downstream	Not Applicable		
14. Franchising	Not Applicable		
15. Additions	Low	1	No

The results of the Analysis carried out on the 15 categories were as follows:

- Of these, **3 are not applicable** because the specifics of **franchising** (category 14), **assets leased to third parties** (category 13), and **processing of sold products** (category 10) are entirely out of scope with respect to the Group's business scope;
- 3 categories, namely 9, 3 and 15 are irrelevant.** Specifically, "Downstream distribution of sold products" is not carried out through third-party, "Energy production" is already reported in the Group's Scope 2, and, as for "investments", these are not relevant;
- 7 categories: 1; 2; 4; 5; 6; 7 and 8, are of medium/high significance** and will therefore be reported upon.
- Finally, regarding the remaining 2 categories: **11 and 12**, these **will not be reported upon despite high significance** due to the absence of the official standards for modelling and conversion of space launcher operating emissions and disposal, as further detailed in the following section.

Categories Detail

Specifically, with reference to "**category 1 - Purchased Goods and Services**", reporting is based on the main goods purchased with regard to raw materials and semi-finished goods. Regarding services, continuous contracts of third-party suppliers in support of land management and production activities are taken into account, given their significant incidence in terms of man-hours and resources, compared to sporadic and punctual activities.

"**Category 2 - Capital goods**" includes major capitalized assets, mainly machinery and plant. For both categories, the methodology used for reporting is the so-called spend based methodology provided by the GHG Protocol. This methodology involves identifying within the items in the income statement the costs incurred by the Group to purchase the specific goods and services converted to GHG emissions through specific conversion factors.

"**Category 3-Fuel and energy-related activities**" was found to be insignificant and, therefore, not reported in this Sustainability Statement. In fact, the significance analysis evaluated the impact of three key aspects: a) the data on network dispersion, which was considered of little relevance both for a benchmarking issue with national standards and because of the small extension of the distribution infrastructure from the Termica plant to the production site, b) the emissions already fully reported under Scope 1 and Scope 2, and c) the specificity

of some fuels used that neither fall under the definition of fossil fuel nor are subject to specific or related conversion factors.

Within **"category 4 - Upstream Transportation and Distribution"** semi-finished products in export are counted, which are transferred from Colleferro to Avio Group's Kourou plants for final processing. Specifically, this category includes Vega/Vega C launcher stages (recorded as armament materials) that are transported from Colleferro to Avio Guyana for launcher integration and other accessories that are transported to Kourou for launcher integration.

The P120C casing has two different paths, depending on whether it is intended for use on Vega-C or Ariane 6. As the highest-incidence transports between Italy and Guyana, both fall into Class 3, as it is configured as a semi-finished product that is transported from Colleferro to Regulus for propellant loading and production of the P120C LMC. The latter, in the case of Vega-C is delivered to Europropulsion for engine and stage assembly and finally, returns to Avio (Avio Guyana) for integration operations on the Vega-C launcher, being in this case transport at the launch site. In the case of Ariane 6, transportation ends with delivery to Europropulsion, as Europropulsion sells the stage to Arianegroupe for integration on the Ariane 6 launcher.

Hence, through the use of import-export databases, from which items related to the Defense sector were previously excluded, the Group was able to use the distance-based methodology in which the weight in tons of upstream purchased material is multiplied by the kilometres travelled and the conversion factor related to the means of transportation used thus obtaining the total relevant CO₂e emissions.

"Category 5 - Waste generated during operations" concerns the emissions generated by the disposal, treatment and transport of waste carried out by third parties, which were evaluated from the complete list of EWC codes generated by the production plants at the Colleferro Plant and the Airola site, which account for almost all of the waste surveyed for Italy in ES-5, since the other sites have very limited administrative or occasional activities, such as SPTF in Sardinia. From the CER codings, tabular conversion factors of CO₂ equivalent emissions suitable for calculating specific GHG emissions were applied.

"Category 6 - Business Travel" is reported on business trips made by staff, using the conversion factor in kg of CO₂ equivalent per route, specific means of transport and per passenger.

For **"category 7 - Employee Commuting"**, staff commuting for the home/work route was considered, net of those who use the company's personally owned fleet cars and those who are enrolled in the shuttle service. For the purpose of this category, a preliminary comparative analysis was conducted from the employee registry by the HR management system in relation to the relevant work location, and then, in compliance with the GHG Protocol's prescribed methodology of using average data, suitable conversion factors were applied to public average data on regional commuting according to ISTAT.

"Category 8 - Upstream Leased Assets", on the other hand, refers to GHG emissions generated by vehicles and machinery that the Group leases. Company car fleet vehicles were separated from these as they were already reported in the Scope 1 direct emissions.

With regard to **"category 9 - Downstream Transportation and Distribution"**, it was found that the only downstream movements, i.e., acts of transporting goods from Group-owned sites to third-party sites, take place with Group-owned vehicles (thus already falling under Scope 1). Therefore, this category was assessed as not relevant.

Regarding **"category 10 - Processing of Sold Products"** related to impacts resulting from the processing of products sold, it is reported how products sold by the Group are not after sale subject to further processing but are integrated into more complex systems whether for Space or Defense. Therefore, assembly falls under the use of the product itself and not as "processing", i.e., the category does not apply.

Regarding **"Category 11 Use of products sold"** and **"Category 12 End-of-life treatment of products sold"** while having high significance, these cannot be reported as the Group's specific propulsion system emissions, which are totally different in technology and technical characteristics from conventional ones, cannot be converted according to any of the applicable tables, as they generate completely different chemical species. It is also pointed out that they generate very little CO₂ - in the order of about 10% - and none of the other equivalent chemical species as per the GHG Protocol or other standard setters such as ISPR. To this we would also like to emphasize again how the specificity of the Group's business does not yet see any feedback in directly applicable, or at least comparable, conversion factors in order to enable credible and truthful estimation of GHG emissions. Quite similarly to what is already in place for other sectors such as automotive and aeronautics, they will have to be evaluated by independent and competent bodies in the field, in this case the ESA, with the support of the European Commission and national agencies, including those outside the EU, to

define standards for their eventual conversion. ESA on November 21, 2022 signed a protocol among all players in the European space community to convey the intentions to achieve a harmonized path of evolution of European space technologies toward sustainability improvements, including countering climate change. Avio was in the Group of the first signatories of the "Chart for a sustainable space sector" and participates in ESA working groups on various topics, including that on GHGs which could lead to an Effective possibility of reporting the figure in the near future.

Moreover, it is urgent to point out that much of the information is not the exclusive property of the Avio Group but is governed by the contractual relationships among the various industrialists participating in space programs. In particular, the P120C being a unique engine for VEGA-C and ARIANE 6, is shared with a French company, an industrialist of Ariane 6, which formally oversaw the technical development of the propellant and with ESA which oversaw its qualification, therefore, for disclosure purposes an authorization from these entities would be required. The establishment of official standards for modelling and/or conversion of space launcher operating emissions, mentioned in the previous paragraph, will lead to the overcoming of this constraint as well.

Given that expressed above, the end-of-life of a space launcher (**Category 12**), which performs most of its function outside the Earth's atmosphere, also requires the establishment of specific standards for modelling the eventual conversion to conventional GHG emissions.

"**Category 13 Downstream Leased Assets**" was found not to be applicable as the Group did not lease any assets.

"**Category 14 - Franchises**" was not applicable, as the Group's business model does not provide for franchises. Regarding "**category 15 Investments**" following an analysis of the Group's investments, it was found that the Group does not exercise operational control over third party Companies, except for Termica, whose issues are already reported within Scope 2. Moreover, having outlined *ex ante* a threshold of 2%, the category emerged as insignificant.

Sources of estimation and outcome uncertainty

Specifically, for the purpose of Scope 3 reporting, only methodologies provided by the GHG Protocol "Technical Guidance for Calculating Scope 3 Emissions" were used, attempting to minimize the estimates required and, consequently, reporting data with a minimum level of uncertainty.

If estimates have been made in data quantification relating to the value chain in the following paragraphs, even where there is not a high level of uncertainty, an appropriate note is provided below the relevant data in the corresponding section.

Changes in the preparation and presentation of sustainability information / Reporting errors in previous periods

The introduction of new standards has led to the adoption of new metrics and reporting methodologies, making it impossible to compare with data from previous years. As a result, the assessment of any relevant material errors and the introduction of substitute metrics or other adjustments is not feasible.

Disclosures stemming from other legislation or generally accepted sustainability reporting standards and frameworks

As required by Appendix B of ESRS 2, the table below provides a list of ESRS disclosure requirements that are addressed also by other legislation, including references to the relevant section and page. In addition, relevant information prescribed by Regulation (EU) 852/2020 - (EU Taxonomy Regulation and its Delegated Regulations) is reported within the consolidated sustainability reporting. The table is given at the end of this section *ESRS 2 - General Disclosures*.

1.2 Governance

GOV-1 - The role of the administrative, management and supervisory bodies

Avio S.p.A. 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 administrative headquarters is in Colferro (Rome), via Ariana Km 5.2.

At December 31, 2024, Avio S.p.A. held, directly or indirectly, investments in eight subsidiary companies (Space S.p.A., Regulus S.A., Se.Co.Sv.Im. S.r.l., Avio Guyana S.A.S., Temis s.r.l., 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").

As a reference model for its Corporate Governance, Avio embraces the provisions of the Corporate Governance Code promoted by Borsa Italiana, as most recently approved and published on January 31, 2020 and effective as of January 1, 2021. As indicated in the Corporate Governance and Ownership Structure Report, which can be consulted on the Group's website in the "Investors - Shareholders' Meeting" section and to which reference should be made for further details, Avio's corporate governance system is structured according to the traditional administration and control model and features the bodies indicated below:

- Shareholders' Meeting;
- Board of Directors;
- Board of Statutory Auditors.

Pursuant to the By-Laws, the various corporate bodies within this model have distinct roles and responsibilities: through its resolutions, the Shareholders' Meeting, as the expression of the interest of the majority of shareholders, conveys the corporate will; for its part, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company, with the authority to carry out all acts deemed appropriate for the achievement of the corporate purpose, except those reserved by law to the Shareholders' Meeting; finally, the Board of Statutory Auditors oversees the process of financial disclosure and the legally-required audit, focusing on the provision of non-audit services. As the highest governing body, Avio's current Board of Directors (elected at the Shareholders' Meeting on April 28, 2023) consists of **11 members**, six of whom are independent in accordance with Article 148 of the CFA and Article 3 of the Corporate Governance Code. As reported below, its composition complies with gender equality provisions.

Board of Directors

Directors are appointed by the Shareholders' Meeting and hold office for three fiscal years through a slate voting mechanism designed to ensure the presence on the Board of Directors of three Directors elected by the minority, in addition to compliance with gender balance provisions. All Directors must meet the requirements of eligibility, professionalism and integrity, while at least two must meet the requirements of eligibility, professionalism and integrity and at least two the requirements of independence.

The Board of Directors may delegate a portion of its responsibilities to an Executive Committee, determining the scope of its mandate, the number of Committee members and its operating procedures. The Board may also appoint one or more Chief Executive Officers, grant them powers and establish one or more internal Board committees.

Due to the fact that the Company is subject to the Golden Power regulations, (i) the By-Laws stipulate that matters and activities in relation to which the Italian Government has a right of objection under the Golden Power regulations applicable to companies operating in the defence and national security sectors are the sole responsibility of the Board of Directors and cannot be delegated; and (ii) an Executive Officer for Financial Reporting has been appointed to manage the Company's strategic activities, with particular regard to the Golden Power regulations.

Board of Statutory Auditors

The Board of Statutory Auditors is composed of three Statutory Auditors and two Alternate Auditors. Slates for the election of Statutory Auditors may be presented by shareholders who, at the time of presentation of the slate, hold a shareholding that is at least equal to that determined by Consob in accordance with applicable laws and regulations.

In accordance with the Corporate Governance Code, the Board of Directors has also established:

- the **Appointments and Remuneration Committee**: granted advisory and proposing functions in terms of the professional profiles required by the Board, and also in terms of setting the remuneration policy of Directors and key management personnel;

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- the **Control and Risks Committee**: supports the Board of Directors in their assessments and decisions concerning the Internal Control and Risk Management System, and with regards to the approval of the periodic financial reports;
- the **Sustainability Committee**: responsible for supporting the Board of Directors in overseeing sustainability activities. In addition, the Committee is intentionally constituted of members with established experience in sustainability concerns, and for greater integration across issues the Chairperson of the Board of Directors is also a member.

Specifically, the **Sustainability Committee** is assigned the following responsibilities on Environmental, Social, Governance (ESG) topics:

- a) examine and evaluate (a) policies based on the principles of sustainable business, which take into account the evolution of reference scenarios and identify opportunities and create value over time in the medium to long term for stakeholders, such as (i) ethics; (ii) environmental protection, with particular reference to the issue of climate change; (iii) socio-economic progress and the enhancement of the territories where the Company operates; (iv) the creation of economic development based on innovation and responsible industrialization (v) and the health, safety and well-being of people; (vi) the protection of human rights and the enhancement of differences and equality in the treatment of people;
- b) examine the general framework of sustainability reporting and the articulation of its contents, as well as the completeness and transparency of the information provided, providing observations to the Board of Directors called upon to approve this document; examines and monitors the implementation of a Group sustainability plan, which sets out the strategic priorities, commitments, targets, also of a quantitative nature, for the development of the economic, environmental and social responsibility of the undertaking, in line with the UN Sustainable Development Goals (SDGs) and the objectives of the business plan and the financial reporting;
- c) support the Board of Directors in defining a sustainability policy with the objective of strengthening and implementing the values of ethics, integrity and responsibility in respect of people, the environment and society as a whole, in order to integrate sustainability into the strategy and management of its business, defining with the different company departments the targets to be prioritised in a sustainability plan aligned to a Group business plan.
- d) examine the implementation of the sustainability policy in the business initiatives, to be also included in the Remuneration Policy and Report, based on the indications of the Board of Directors;
- e) monitor sustainability initiatives and the Company's participation in them, with a view to consolidating the Company's reputation on the international front, also with reference to the development of relations with institutions, organisations and research centres with recognised expertise in sustainability matters;
- f) strengthen the dissemination of the culture of sustainability among employees, shareholders, business partners, customers and, more generally, stakeholders through the examination and monitoring of a stakeholder engagement plan in line with the defined objectives and targets;
- g) monitor the Company's positioning with respect to the financial markets on sustainability issues, with particular reference to the relationship with ESG rating agencies and participation and inclusion in ethical sustainability indices;
- h) at the Board's request, expressing an opinion on other sustainability issues.

With reference to any regulatory changes that have occurred during the year, the Sustainability Committee has received appropriate training/updating in this regard. It is also reported that the Steering Committee for gender equality has received dedicated training on gender equality issues.

The Company's Board of Directors is composed of Executive and Non-Executive Directors with adequate skills and professionalism. The Company is administered by a Board of Directors composed of 11 Directors, of which one is an executive member and 10 are non-executive members.

There is no employee representation within the undertaking's administrative, management and supervisory bodies.

In the Annual Corporate Governance and Ownership Structure Report, the Company includes a dedicated section assessing the qualitative and quantitative composition of the administrative, management and supervisory bodies. This assessment is conducted through an external platform and includes, among other analyses, a review of Board members' experience in the undertaking's industries, products, and geographic markets.

On February 21, 2025, the Board concluded the periodic self-assessment process on the adequacy of the Board and that of its Committees in terms of composition and functioning. The self-assessment process was carried out through a digital platform.

In order to comply with the provisions of Recommendations 21 and 22 of Article 4 of the Corporate Governance Code, the Board of Directors made a positive assessment on the activities carried out in 2024, on the size, composition and functioning of the Board and its Committees, based on the results of the report prepared by the external consulting firm.

In addition to analysing the activities of the Board of Directors and of its Committees undertaken during the year 2024, the assessment also provided deeper insight into potential areas for improvement.

Among the significant aspects that emerged from the board evaluation was the positive picture regarding the qualitative-quantitative profile of the Board of Directors, as well as highlighted that the experience of the directors and the relationship of trust and professional respect established among them appear to be strengths of the Board of Directors. A review of the self-assessment questionnaires also shows that the Board of Directors, as a whole, contributes to the Company's strategy. The results of the self-assessment also showed broad satisfaction among the directors regarding (i) the figure of the Chairperson of the Board of Directors; (ii) the composition and functioning of the Committees; (iii) the efficiency of the internal financial control and risk management monitoring procedures and the whistleblowing procedure; and (iv) the timing with which the Company makes available to the directors the material pertaining to Board of Directors meetings.

Regarding the Board's competencies, the report highlighted how to improve the Company's performance by paying more attention to: (i) the responsiveness with which the Board of Directors responds to changing business conditions; (ii) in the area of "Talent and Culture", the report highlighted the importance of the Board having more frequent dialogue with the Company's top management (with the exception of the Chief Executive Officer) and paying more attention to the succession plan for Executive Directors; (iii) the desirability of the Board of Directors spending more time reviewing new investment proposals; (iv) the desirability of increasing the time the Board of Directors spend on "business intelligence" (e.g. market trends, competitive intelligence). It should be noted that Recommendation 22 of the Corporate Governance Code recommends that the self-assessment be conducted at least every three years in view of the renewal of the Board of Directors and recommends, in large companies other than those with concentrated ownership that the self-assessment be conducted annually. Although Avio does not fall into the category of large companies, the self-assessment is conducted on an annual basis.

Board of Statutory Auditors' Self-Assessment

The Board of Statutory Auditors complied with the provisions of Rule Q.1.7. "Self-assessment of the Board of Statutory Auditors" included in the document "Conduct rules for Boards of Statutory Auditors of listed companies" issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) in December 2023, carrying out an annual self-assessment. This sought to, among other matters, verify the suitability of its members and the adequate composition of the board, with reference to the requirements of professional standing, competence, good-standing and independence required by applicable regulations. This check indicated, among other matters, that for 2024, all the members of the Board of Statutory Auditors in office satisfy the necessary requisites for the performance of their office.

Among the relevant aspects of the Board of Statutory Auditors assessment, the Statutory Auditors expressed their satisfaction with: (i) the optimal organisation of the Board for the performance of its duties and activities; (ii) the fulfilment of the requirements of honourability and professionalism by the members of the Board; (iii) the Chairperson of the Board; (iv) the capabilities of the Board on the management of important issues, as well

as the choice of external consultants in order to deal with these issues; and (v) the capabilities of the Board to request and acquire any information and data useful for the performance of its duties and activities.

Among the areas for improvement, the Statutory Auditors commented on the remuneration provided for the performance of their duties as well as the desirability of Statutory Auditors having more knowledge and experience in the IT field.

Percentage of administrative, management and supervisory bodies by gender - Avio Group

	Male		Female		Total	
	N	%	N	%	N	%
BOD ⁵⁶	20	74.1	7	25.9	27	100
Board of Statutory Auditors ⁵⁷	11	73.3	4	26.7	15	100
Appointments and ⁵⁸ Remuneration Committee	2	66.7	1	33.3	3	100
Control and Risks Committee	1	33.3	2	66.7	3	100
Sustainability Committee	1	33.3	2	66.7	3	100
Total						

Specifically, 54.5% of BoD members declared that they meet the independence requirements under the Consolidated Finance Act and the Corporate Governance Code.

The Shareholders' Meeting of Avio S.p.A. called on April 28, 2023 appointed the Board of Directors, having first resolved on the number of members, their term of office and remuneration. In particular, the Shareholders' Meeting of Avio S.p.A. set the number of the members of the Board of Directors as eleven, establishing their term in office. Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws, the Shareholders' Meeting appointed the Board of Directors of Avio with effect from the date of the Shareholders' Meeting appointment (April 28, 2023) until the approval of the Financial Statements at December 31, 2025.

As better specified in the table on page 32 of this Report, Avio's Board of Directors is made up of 11 members, of which (i) 1 executive member; and (ii) 6 independent members.

The members of Avio's Board of Directors in office on the Report approval date are listed in the table below.

Name	Place and date of birth	Date of appointment	Expertise related to the Group's business and management of IROs
Giovanni Soccodato	Rome, October 31, 1961	April 28, 2023	Scientific-technical, economic and strategic skills.
Raffaele Cappiello (*)	Rome, September 17, 1968	April 28, 2023	Legal expertise in corporate, banking, financial and insolvency matters.
Letizia Colucci	Foggia, August 6, 1962	April 28, 2023	Professional experience of more than 30 years in the Defense and Space sectors.
Giovanni Gorno Tempini (*)	Brescia, February 18, 1962	April 28, 2023	Economic-financial and corporate governance skills.

⁵⁶ Gender diversity within the Board of Directors is calculated as the average ratio between male and female members of the Board, resulting in 7/20.

⁵⁷ The figure refers to the companies Avio, Se.Co.Sv.Im, Spacelab and Temis

⁵⁸ The figure refers only to the company AVIO

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Donatella Isaia (*)	Turin, December 21, 1974	April 28, 2023	Technical and organizational skills related to Human Resources management.
Roberto Italia	Rome, July 5, 1966	April 28, 2023	Economic and investment expertise.
Marcella Logli (*)	Milan, October 14, 1964	April 28, 2023	Computer and technology innovation-related skills.
Luigi Pasquali	Rome, October 2, 1957	April 28, 2023	Technical and strategic skills in the telecommunications industry.
Elena Pisonero Ruiz (*)	Madrid (Spain), January 17, 1963	April 28, 2023	Business and strategic skills in aerospace and consulting.
Giulio Ranzo	Rome, January 29, 1971	April 28, 2023	Aerospace-related scientific-technical and strategic skills.
Donatella Sciuto (*)	Varese, January 5, 1962	April 28, 2023	Scientific-technical and economic skills.

(*) Independent Director pursuant to Article 148 of the CFA and Article 2 of the Corporate Governance Code.

We note that:

- (i) Mr. Roberto Italia holds the office of Chairperson of the Board of the Issuer;
- (ii) Mr. Giovanni Gorno Tempini holds the office of Vice-Chairperson of the Board of the Issuer;
- (iii) Mr. Giulio Ranzo holds the office of Chief Executive Officer;
- (iv) Mr. Giorgio Martellino holds the office of Secretary of Avio.

The members of Avio's Board of Directors declared themselves in possession of the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA. In addition, the Board of Directors appointed the Sustainability Committee responsible for supporting them in overseeing sustainability activities. The Committee is intentionally constituted of members with established experience in sustainability concerns, and for greater integration across issues the Chairperson of the Board of Directors is also a member.

Article 14 of By-Laws establishes that the Board shall have the widest powers of ordinary and extraordinary administration of the Company, with the power to carry out all acts it deems appropriate for attaining the corporate purpose, with the sole exception of those attributed exclusively by law to the Shareholders' Meeting. The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following resolutions, without prejudice to the concurrent competence of the Shareholders' Meeting: (i) the opening and closing of secondary offices; (ii) the reduction of the share capital as a result of a return of shares; (iii) updating the By-Laws in accordance with the law; (iv) transfer of the registered office within Italy; (v) the indication of which Directors may represent the Company. (vi) the indication of which Directors may represent the Company.

As per Article 11.1 of the By-Laws, the Board of Directors shall appoint a Chairperson from its membership, if the Ordinary Shareholders' Meeting has not already done so. The Board is also entitled to appoint a Secretary, who may also be external to the Company, upon a proposal from the individual chairing the meeting.

Under Article 12.2 of the By-Laws, within the limits of the Law and the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures. The Board may appoint one or more Chief Executive Officers, granting them the relevant powers. Moreover, the Board of Directors may also establish one or more committees with advisory, investigating, proposing or control functions, vested with the powers set out by the Board of Directors. The Board of Directors may also appoint General Managers, defining their powers and granting power of attorney to third parties for certain acts or categories of acts.

Pursuant to Article 12.1 of the By-Laws, the matters and strategic activities on which the Italian Government has a right to object pursuant to the Golden Power Regulation fall under the exclusive remit of the Board of Directors and may not be delegated, and the related Board of Directors' resolutions shall be adopted and executed in compliance with the provisions of the Golden Power Regulation.

In addition to the powers expressly reserved to the Board of Directors pursuant to the law and the By-Laws, the regulation applicable provides that the Board of Directors shall:

- a) examine and approve the strategic, business and financial plan of the Company and the Group it heads, also on the basis of an analysis of the issues that are important for the generation of long-term value, carried out with the possible support of a committee whose composition and functions are determined by the Board of Directors;
- b) periodically monitor the implementation of the business plan and assesses the general operating performance, periodically comparing the results achieved with those planned;
- c) define the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments of all risks considered significant with regard to the sustainability success of the Company;
- d) define the Company's corporate governance system and the structure of the Group it heads, evaluating the adequacy of the Company's organisational, administration and accounting system and that of its strategically significant subsidiaries, with particular reference to the Internal Control and Risk Management System;
- e) resolve on the Company's transactions and those of its subsidiaries when the aforementioned transactions have particular strategic, economic, asset or financial relevance for the Company; to this end, lay down general criteria for the identification of significant transactions;
- f) in order to ensure the correct management of corporate information and in compliance with the prescriptions contained in the Decree of the President of the Council of Ministers of November 24, 2016 (by which the Presidency of the Council of Ministers deemed the merger operation of Avio S.p.A. into Space2 S.p.A. suitable with respect to the protection of the strategic interests of the State, imposing some implementing measures), adopts, on the proposal of the Chief Executive Officer or the Chairperson of the Board of Directors, a procedure for the internal management and external communication of documents and information concerning the Company, with particular reference to inside information;
- g) appoints, if the requirements are met, an Independent Director as Lead Independent Director to represent a point of reference and coordination for the contributions of the Non-Executive Directors and, in particular, of the Independent Directors; and co-ordinates the meetings of the Independent Directors;
- h) sets up internal Committees with investigative, proposal and advisory functions on appointments, remuneration and control and risks, and distributing them separately or combining them, and defines their duties and responsibilities;
- i) ensures that the Executive Officer for Financial Reporting has adequate powers and means to perform the tasks assigned, and that the administrative and accounting procedures are effectively complied with;
- j) assesses the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the other corporate functions involved in the audits, verifying that they possess adequate levels of professionalism and resources;
- k) assesses the independence of each Non-Executive Director, immediately after appointment and during the term of office when circumstances relevant to independence occur and, in any case, at least once a year;
- l) sets, at least at the beginning of its term of office, quantitative and qualitative criteria for assessing the significance of the relationships referred to in letters c) and d) of Recommendation 7 in Article 2 of the CG Code;
- m) carry out, at least every three years, in view of the renewal of the Board of Directors, a board evaluation on its functioning and that of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service. If the Board relies on the services of external consultants for such self-assessment, the report on corporate governance shall provide information about the identity of the aforementioned consultants and the other services they provide to the Company or to companies controlled by it;
- n) subject to the provisions of Article 11.3 of the By-Laws, with respect to the possibility of submitting a slate for the appointment of the members of the Board of Directors, taking into account the findings of the assessment under letter m) above, it may provide to the Shareholders, before the appointment of the new Board, guidelines about the managerial and professional profiles whose presence in the Board is deemed appropriate;
- o) describes, in the Corporate Governance Report, the main features of the Internal Control and Risk Management System and the methods of coordination between the parties involved, indicating the models and national and international reference best practices, expressing its overall assessment of the adequacy of the system and outlining the choices made in relation to the composition of the Supervisory Board;
- p) in the Corporate Governance Report, it provides information about: (i) its composition, indicating, for each member their relevant category (executive, non-executive, independent), the role performed within the Board, the key professional characteristics, as well as the length in service since first appointment; (ii) the implementation methods of Article 1, 2 and 3 of the CG Code and, in particular, on the number and average duration of the meetings of the Board, of the Executive Committee (if established) and of Board committees

held during the financial year, as well as on the relevant attendance percentage for each Director; (iii) the methods for carrying out the assessment process under letter m) above;

q) adopts, upon the proposal of the Chairperson of the Board of Directors, in agreement with the Chief Executive Officer, a Shareholder Engagement Policy, also taking into account the engagement policies adopted by institutional investors and asset managers;

r) Provides guidelines on the maximum number of Director or Statutory Auditor positions held in other companies listed on regulated markets (including foreign ones) and banking, insurance, financial or large enterprises that may be considered compatible with the effective performance of the duty of Director of Avio, considering the Directors' participation at Board committees. General criteria are set out by the Board based on the commitment related to each role (Executive Director, non-Executive or independent), also in relation to the nature and to the size of the companies as well as whether belonging to the Company;

s) expresses, in view of each renewal, an orientation on the quantitative and qualitative composition considered optimal, also taking into account the self-evaluation results;

t) if deemed necessary in order to define a better corporate governance system for the Company's needs, draws up justified proposals to be submitted to the Shareholders' Meeting with regard to the following issues: (i) choice and characteristics of the corporate model (traditional, one-tier, two-tier); (ii) size, composition and appointment of the board and duration in office of its members; (iii) allocation of administrative and property rights of the shares; (iv) percentages for the protection of minorities;

u) assesses whether to implement a succession plan for Executive Directors;

v) defines the Company's remuneration policy for Directors and Senior Executives, in compliance with the recommendations of the CG Code;

w) chooses from within its ranks one or more Directors tasked with developing and maintaining an effective Internal Control and Risk Management System ("ICRMS"); it appoints, upon proposal of the Director in charge of the ICRMS and with the prior favourable opinion of the Control and Risks Committee, having heard the Board of Statutory Auditors, the Internal Audit Manager; it defines the guidelines for the internal control and risk management system and performs all the other tasks that the Corporate Governance Code recommends to be attributed to the Board of Directors with respect to the ICRMS;

x) approves, at least annually, the work plan drawn up by the Internal Audit Manager, after consultation with the Board of Statutory Auditors and the Chief Executive Officer;

y) adopts the organisation, management and control model and appoints the relevant Supervisory Board pursuant to Italian Legislative Decree No. 231/2001;

z) in compliance with the provisions of the Stock Exchange Regulation of Borsa Italiana S.p.A., approves a calendar of the main corporate events each year, to be published without delay and at least within thirty days from the end of the previous financial year.

The Board of Directors carries out the aforementioned tasks, as well as the other tasks assigned by the Corporate Governance Code, by making use - where envisaged by the Corporate Governance Code and/or by the respective organisational regulations - of the support of the committees set up.

In implementation of the above, the Board of Directors:

- assesses the suitability of the organisational, administrative and general accounting structure of the Company and of the subsidiaries with strategic importance (which have been identified by principally referring to dimensional criteria (turnover) or by considering the particularity of the market where the subsidiary operates, in Spacelab S.p.A. (formerly ELV S.p.A.), Regulus sa, Se.Co.Sv.Im S.r.l. and Avio Guyane Société par actions simplifiée à associé unique, with particular reference to the internal control and risk management system; this assessment was carried out on the basis of information and evidence gathered with the support of the preliminary activity performed by the Control and Risks Committee and with the contribution of the Company's management and the Internal Audit Manager;
- assesses the general operating performance, taking into account, in particular, the information received from the Chief Executive Officer, as well as periodically comparing the results with that budgeted.

The Avio S.p.A. Shareholders' Meeting of April 28, 2023 appointed the Board of Statutory Auditors and established the relative remuneration, until the Shareholders' Meeting to be called to approve the 2025 Annual Accounts.

The members of Avio's Board of Statutory Auditors in office at the Report approval date are listed in the table below.

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Name	Office	Place and date of birth	Date of appointment	Expertise related to the Group's business and management of IROs
Vito Di Battista	Chairperson	Lecce, January 10, 1952	April 28, 2023	Industrial and financial economic-fiscal skills
Mario Matteo Busso	Statutory Auditor	Turin, March 1, 1951	April 28, 2023	Economic-banking and consulting skills
Michela Zeme	Statutory Auditor	Mede (PV), January 2, 1969	April 28, 2023	Corporate Governance and economic-fiscal skills
Sara Fornasiero	Alternate Auditor	Merate (LC), September 9, 1968	April 28, 2023	Economic and compliance skills
Roberto Cassader	Alternate Auditor	Milan, September 16, 1965	April 28, 2023	Economic, tax and fiscal skills

As per Article 144-novies of the Issuers' Regulation and the Corporate Governance Code, the fulfilment of the above requirements by the members of the Board of Statutory Auditors was assessed, with the outcomes communicated to the Board of Directors who, following appointment, communicate such in a press release and, subsequently, on an annual basis, in the corporate governance report.

The Board of Statutory Auditors is composed of members with professional backgrounds such that they bring value to the company's sustainability. The Board contributes to and actively participates in the meetings of the Sustainability Committee. Since, however, this is an increasingly complex and evolving subject, the meetings of the Sustainability Committee with the participation of the Board of Statutory Auditors also serve as a mutual enhancement of expertise on the subject, encompassing and seeking to apply best market practices, in addition to activities to bring the company's operations in line with industry regulations, within their scope.

With reference to any regulatory changes that have occurred during the year, the Sustainability Committee has received appropriate training/updating in this regard. It is also reported that the Steering Committee has received dedicated training on gender equality issues.

GOV-2 - Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The AVIO Group is increasingly determined to integrate sustainability into its industrial and business activities. To achieve this goal, the company is pursuing various initiatives, one of the most significant being the establishment of an increasingly robust and comprehensive sustainability governance. The Parent Company's sustainability function encompasses:

- a Corporate Sustainability Director, who coordinates and oversees the entire corporate sustainability initiative, ensuring compliance and supervising the overall process of publishing the Consolidated Non-Financial Statement;
- a Sustainability Steering Committee, comprising key corporate figures with specific responsibilities for defining appropriate policies and targets, conducting specific projects, and reporting on the relevant results;
- a Sustainability Office: comprising employees with specific ESG skills. The team takes the operational actions defined in the Sustainability Plan and reports on the results, including in relation to the Sustainability Statement, thereby contributing to the promotion of a "culture of sustainability".
- an Executive Officer for Financial Reporting, who provides a statement of compliance on the Sustainability Statement in line with the European Sustainability Reporting Standard (ESRS) and Article 8 of EU Regulation 2020/852 (Taxonomy Regulation)

The gender, cultural, and professional diversity of these controlling and administrative bodies is a critical resource, and one of the greatest assets that contributes value to the corporate structure.

As part of sustainability reporting, the Boards of Directors of Avio S.p.A. and the subsidiaries within its scope have the role of reviewing and approving the guidelines and consequent processes relevant to sustainability issues and the analysis of the related risks. The Sustainability Committee assists the Board of Directors in the assessments and decisions on sustainability matters falling within the remit of the Board of Directors: The frequency and methodology for reviewing the identification and assessment of sustainability issues are defined annually, taking into account changes in the Group's internal and external environment. In 2024, the Sustainability Committee met 7 times. The administrative, management and supervisory bodies, and their respective committees are briefed on relevant impacts, risks and opportunities at their respective meetings with management with supporting documentation. The Sustainability Committee prepares a report every six months, including assessments of relevant impacts, risks and opportunities, and forwards them to the administrative and supervisory bodies. The stakeholder engagement plan is structured through a modular, step-by-step approach with planning over several years for increasing interaction and dialogue with stakeholders.

The Group recognises the importance of strengthening the implementation of a due diligence system and is actively working to develop and consolidate policies, actions and targets to be adopted for all aspects related to material IROs.

Refer to section SBM-3 for a list of relevant impacts, risks and opportunities addressed by the administrative, management and supervisory bodies during the reporting period.

GOV-3 – Integration of sustainability-related performance in incentive schemes

The Board of Directors believes that an incentive plan based on the vesting of the right to the free allocation of shares deferred over the medium term and based on Performance Targets is the incentive tool that most effectively responds to the Company's interests. The main incentive systems that make up the AVIO Group's remuneration offering include: (a) short-term variable remuneration (MBO); (b) long-term variable remuneration (LTI).

With regard to long-term variable remuneration, the 2024-2026 Performance Share Plan is addressed to the Chief Executive Officer/General Manager, Senior Executives and other Managers with strategic roles for Avio, identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, among those who hold key positions with a significant impact on the creation of value for the Shareholders within the Company and/or its Subsidiaries. The Plan provides for:

- the Grant of a certain number of Rights to Beneficiaries;
- a three-year performance period;
- the Allocation and Delivery of shares subject to the Board of Directors' verification of the Performance Targets achieved in the reference year.

In particular, the three-year Performance Period allows Beneficiaries to take advantage of a reasonable time frame to achieve the economic benefits of the Plan, consistent with the objectives of loyalty and alignment of the interests of Beneficiaries and Shareholders in the medium to long term that the Plan proposes. The allocation of shares is closely linked to the creation of value for the Company and aims to motivate, involve and incentivise the Beneficiary to achieve the Company's objectives, also aligning its activities with those of its stakeholders.

The Performance Targets identified by the Board of Directors consist of:

- Three-year cumulative reported EBITDA, which allows a measurement of medium-term profitability that does not take into account non-recurring components, with an incentive determination weighting of 40%;
- Average Return on Invested Capital, defined as EBIT Reported / Net Invested Capital, with an incentive determination weighting of 40%;
- ESG indicators, with a 20% overall incentive determination weighting:
 - Gender diversity, defined as the ratio between female employees and male employees (5%).
 - *Gender pay gap*, defined as the ratio between the remuneration of female employees and male employees at the same grade (5%)
 - *Waste management*, defined as the percentage of waste recovered (5%).

- *Employee training*, defined as the total hours of training provided in the three-year period (5%).

The Grant of Rights was made by the Company's Board of Directors, after consultation with the Appointments and Remuneration Committee, subject to approval of the Plan by the Shareholders' Meeting on April 23, 2024. In determining the number of Rights to be granted to each Beneficiary, the Board of Directors mainly takes into account the role covered and the importance of the function within the Avio Group. The number of Rights to be granted to Grantees shall be determined by the Board of Directors at the time of the Grant, after consultation with the Appointments and Remuneration Committee. The number of Rights is calculated considering the average Avio share price in the month preceding the meeting of the Board of Directors that approved the financial statements. The Avio Group has incentive systems linked to improvements in environmental impacts; however, at present they are not specifically related to climate change.

GOV-4 - Statement on due diligence

Due diligence is the process by which companies identify, prevent, mitigate and account for how they address their negative impacts on the environment and the rights of the people connected with their business.

Within this document, the AVIO Group provides key information collected on environmental, social (both internal and external) and governance matters, considering both the approach to consumers/end-users and corporate conduct. In this regard, the processes underlying the acquisition and review of ISO management system certifications also play a fundamental role in analysing, identifying, and monitoring material IROs, enabling AVIO to prioritise actions based on the severity and likelihood of identified negative impacts.

At present, the AVIO Group intends to initiate a due diligence process for human rights. Avio currently however has adopted a management and organisational model based on ethics, quality, innovation, and safety, which is Avio's common heritage, is shared, on the one hand, in the Code of Ethics and the various Company Policies and, on the other with management and control instruments. These include risk management operations and the adoption of procedures that monitor the conduct of Company activities, cognisant of the need to operate in the best interests of all stakeholders and the community in general, as enshrined in the Group's Code of Ethics. Avio is also working on adopting a *Human Rights Policy*, which will be published in the second half of 2025. In addition, as part of its due diligence efforts, the Group is committed to updating its supplier selection and monitoring system in line with ESG principles, seeking to assess and minimise existing or potential risks related to ethical, social and environmental matters. The Group has a Code of Conduct. For more information, please refer to the dedicated section in G1-2 "*Management of relationships with suppliers*".

Avio S.p.A. has adopted an Integrated Occupational Safety and Major Accident Hazard Management System, in accordance with UNI 45001, certified since 2010. In this System, the Group has implemented the Management System in adherence to the Seveso III Directive and national transposition regulations (Legislative Decree No. 105/2015).

The Company has also adopted a Gender Equality Management System in compliance with UNI/PdR 125:2022, which was certified on February 21, 2025. Gender equality certification attests to a company's commitment to promoting policies and practices aimed at reducing the gender gap in the workplace. The launch of this project marks the beginning of a company plan to consciously promote gender equality. It assesses various aspects, including equal pay, access to leadership roles, work-life balance and professional development opportunities for both men and women. Having this certification demonstrates the adoption of inclusive and diversity-conscious policies and can enhance a company's reputation and market competitiveness.

In this regard, we note that Avio has appointed a Gender Equality Steering committee, comprising: The Chairperson of the Board of Directors, members of the Sustainability Committee, the HR Director, General Counsel and the Sustainability Director, and has approved the *Gender Equality Policy*. Avio S.p.A.'s Gender Equality Policy is based on the following fundamental principles: (i) impartiality, inclusivity and fairness (ii) ethics, integrity and transparency (iii) enhancement of human capital in line with the principle of equal opportunities (iv) protection of employees' physical well-being and (v) zero tolerance of any form of violence or discrimination.

Management System/Certification	Company	Website	Expiry
AS 9100D / EN 9100:2018	Avio S.p.A.	Colleferro/Airola	09/03/2026
ISO 9001:2015	Avio S.p.A.	Colleferro/Airola	09/03/2026
ISO 14001:2015	Avio S.p.A.	Rome/Colleferro/Airola/Turin	21/11/2025
ISO 45001:2018	Avio S.p.A.	Rome/Colleferro/Airola/Turin	05/06/2025
UNI/PdR 125:2022	Avio S.p.A.	Rome/Colleferro/Airola/Turin	21/02/2025
ISO 9001:2015	Regulus S.A.	French Guyana	11/06/2027

The table below provides a mapping of the paragraphs within the Sustainability Statement that highlight where information related to the application of different aspects and stages of the due diligence process is further reported:

CORE COMPONENTS OF DUE DILIGENCE	PARAGRAPHS IN THE SUSTAINABILITY STATEMENTS
a) Integrating due diligence into the governance, strategy and business model	<ul style="list-style-type: none"> • <i>ESRS 2 GOV-2 - Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</i> • <i>ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes</i> • <i>ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model</i>
b) Engaging stakeholders in all key phases of due diligence	<ul style="list-style-type: none"> • <i>ESRS 2 GOV-2;</i> • <i>ESRS 2 SBM-2 - Interests and views of stakeholders;</i> • <i>ESRS 2 IRO-1;</i> • <i>ESRS 2 MDR-P;</i> • <i>ESRS topics: reflecting the different stages and purposes of stakeholder involvement throughout the due diligence process</i>
c) Identifying and assessing actual and potential negative impacts	<ul style="list-style-type: none"> • <i>ESRS 2 IRO-1 (including application requirements related to specific sustainability matters in relevant ESRS);</i> • <i>ESRS 2 SBM-3</i>
d) Taking action to address negative impacts	<ul style="list-style-type: none"> • <i>ESRS topics: reflecting the set of actions through which impacts are addressed</i>
e) Tracking the effectiveness of actions and reporting	<ul style="list-style-type: none"> • <i>ESRS topics: regarding metrics and targets.</i>

GOV-5 - Risk management and internal controls over sustainability reporting

The Internal Control and Risk Management System (hereinafter "ICRMS"), inspired by current best practices, and in particular by the international standard Enterprise Risk Management-Integrated Framework (ERM Integrated Framework), is a qualifying and essential element of the Corporate Governance of the Avio Group (Avio S.p.A. and its subsidiaries). The definition and operation of the ICRMS are outlined in Avio S.p.A.'s Internal Control and Risk Management System Guidelines. These provide a concise summary of the ICRMS requirements with which subsidiaries of Avio must comply, limited to what is applicable to their business and corporate structure, without prejudice to conformity with the regulations applicable in the countries where these Companies are based.

Avio possesses a structure dedicated specifically to the management of the Group's broad strategic risks. Among the functions of Avio's internal control system is the provision of various forms of cooperation and coordination. For example:

- the activities of the various supervisory bodies, such as the Control and Risks Committee, Sustainability Committee, Board of Statutory Auditors, Supervisory Board, and Internal Audit, are carried out regularly, in an integrated and coordinated manner;
- information flows and coordination activities are provided between the Group's internal control system functions, Avio's Board of Statutory Auditors and those of its subsidiaries, and between Avio's Supervisory Board and those of its subsidiaries.

The Group adopts an integrated risk management strategy (Enterprise Risk Management - ERM) that encompasses the entire corporate organisation, according to specific competences. The primary purpose of ERM operations is to ensure optimal risk identification, measurement, management and monitoring.

The ERM model takes into account all potential threats to the attainment of a Company's strategic goals.

According to the nature of their impact on Avio's operations, risks are classified into the following categories:

- Strategic Risks – risks inherent in the strategies employed to achieve company targets;
- Operational Risks – risks inherent in the Company's implementation and support processes for the operation of the organisational structure, executing business strategy and managing process change;
- Financial Risks – inherent risks associated with the undertaking's capacity to meet its financial obligations;
- Compliance Risks – risks inherent in potential judicial or administrative sanctions or reputational damage for violating interpretative rules (of law or regulations) or self-regulations;
- Context Risks – risks inherent to the occurrence of changes in the undertaking's external environment (regulatory changes at national or European level, changes in the requirements for accessing EU financing sources, etc.);
- Information Systems Risks – risks inherent in the malfunctioning of or tampering with information systems, for private economic gain;
- Cyber Risks: the possibility that information handled via the Company's computer system could be hacked, stolen, deleted or tampered with as a result of unintentional occurrences or malicious deeds.

During the 2024 risk assessment (which included ESG risks, risks related to various material topics, and climate change risk), all risks and the heads of the related business sectors (risk owners) accountable for risk management, the related control system, and the implementation and improvement of mitigation actions, were identified.

The risks, the evaluation of the internal control system to be monitored, and the relevant mitigation actions are recorded in the Risk Register, which is periodically updated in conjunction with the risk owners and risk specialists based on an annual plan approved by the Board of Directors and subject to the approval of the Control and Risks Committee. Upon completion of the risk assessment activity, the file register is made accessible to the Internal Audit function for the development of its Audit Plan from a risk-based perspective, including ESG areas. The Internal Audit structure, on the other hand, is responsible for giving independent assurance on the ICRMS, with the goal of enhancing the organisation's effectiveness and efficiency, and for ensuring that the ICRMS is operational and proportionate to the Group's size and operations. Internal Audit also checks that risks are managed in accordance with Board of Directors resolutions, external requirements and Group internal regulations.

In addition, as previously discussed, Avio has a Quality Management System adopted voluntarily and in accordance with ISO 9001/EN 9100 international and European standards. By contrast, the Company's other Management Systems (Occupational Health and Safety, Major Accident Prevention and Environment), which comply with UNI ISO 45001 and UNI EN ISO 14001, have dedicated management procedures and operating instructions in accordance with the requirements of the applicable standards for the management of specific

risks. Examination of individual risks in the areas of Environment, Health, Safety and "Seveso" plants is congruent with what has been established at corporate level by the Risk Management unit.

Regarding **internal control systems on sustainability reporting**, in line with CSRD requirements, the Avio Group has a procedure for "Sustainability Statement Preparation" and a procedure for "Internal Control Model on Sustainability Reporting." The contents of this document have been defined, validated and approved in accordance with the above procedure, which was updated in 2024. This procedure governs all the process of preparing the Sustainability Statement and outlines the responsibilities of the various stakeholders involved.

In particular, the *Procedure for preparing the sustainability statement included in the Annual Financial Report* seeks to define the operational process for preparing the Avio S.p.A. Group's Sustainability Statement as part of the Directors' Report within the Annual Financial Report. This document is drafted in compliance with Legislative Decree No. 125/2024 (hereinafter also referred to as the Decree), which transposed the new Directive 2022/2464/EU (Corporate Sustainability Reporting Directive, CSRD). It follows the European Sustainability Reporting Standard (ESRS) and Article 8 of EU Regulation 2020/852 (the Taxonomy Regulation). The procedure defines activity flows and verification processes, in line with the *Internal Control Model* for sustainability reporting, establishing roles and responsibilities. The Internal Control Model for sustainability reporting, developed by the Avio Group, applies to Avio S.p.A.'s organisational structures, its subsidiaries included in the consolidated financial statements, and any additional relevant companies within the Sustainability Statement's consolidation scope. This model is based on leading national and international practices (e.g. the CoSO Report on sustainability statements). The adoption of an effective Internal Control Model seeks to reasonably ensure the reliability of the sustainability statement and its compliance with the applicable reporting standards. The "SCISS" (Sustainability Disclosure Internal Control System) is part of the overall "Internal Control and Risk Management System" of the Avio Group. In particular, the control model establishes specific procedures to provide reasonable assurance on the reliability of sustainability statements and ensure that the sustainability reporting preparation process produces information compliant with the reporting standards. The model seeks to define the principles, process and methodological approach for the establishment, evaluation and maintenance of the Internal Control System overseeing the Avio Group's sustainability reporting. The Group has also updated the Executive Officer for Financial Reporting Regulation to incorporate additional sustainability reporting responsibilities assigned to the Executive Officer for Financial Reporting under Legislative Decree No. 125/2024. The internal control system is in the process of implementation, and tests have been carried out on some KPIs following an analysis of the scope and the most significant ESRS DPs.

1.3 Strategy

SBM-1 - Strategy, business model and value chain

Please refer to the "Strategy" section of the Directors' Report for the key elements of the company's strategy that influence sustainability issues as well as the representation of the strategy and business model. The table below presents Avio Group's main activities, programs and customers:

Assets	Programmes	Clients
<ul style="list-style-type: none"> design, development and production of solid and liquid propulsion systems for launchers; design, development and production of solid propulsion systems for tactical missiles; development, integration and supply of complete light space launchers (VEGA family); research and development of new environmentally friendly propulsion systems and 	Ariane, VEGA, Aster, CAMM-ER	a) ESA (European Space Agency) b) Arianespace c) ArianeGroup d) Europropulsion (an Avio-ArianeGroup joint-venture) e) ASI (Italian Space Agency) f) MBDA.

attitude control engines for satellites.		
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The Avio Group's headquarters is in Italy (1,243 employees), but the Group operates internationally, with offices in:

- France (for a total of 13 employees)
- French Guiana (95 employees)
- USA (4 employees)

For further details, reference should be made to the "S1-6 – Characteristics of the Undertaking's Employees".

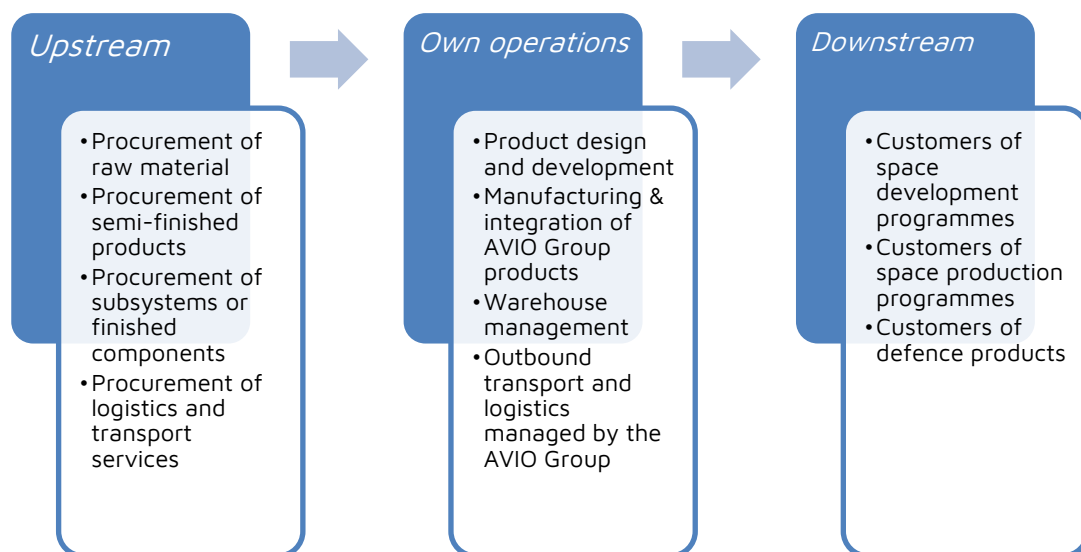
For a breakdown of total revenues for significant ESRS segments, an assessment of its current significant products and/or services and significant markets and customer groups, in relation to the company's sustainability goals, and the elements of the company's strategy that are related to or have an impact on sustainability issues, including key challenges for the future, critical solutions, and projects to be implemented, where relevant for sustainability reporting purposes, please refer to section "3.32 Sales Revenues" of the notes to the consolidated financial statements.

Description of the business model and value chain

The value chain in which the AVIO Group operates encompasses all activities, resources and relationships that the undertaking relies on, spanning from conception, production and delivery to consumption and end-of-life disposal of products placed on the market. Regarding the Avio Group's business profile, please refer to the "Profile" and "Business Areas" sections of the Directors' Report.

Given the specific nature of the AVIO Group's business, impacts, risks and opportunities (IROs) are most significant in workforce-related operations, resource utilisation, and the potential environmental impact of production and launch test sites. The main commercial relationships are concentrated in the upstream segment of the value chain, especially strategic suppliers of raw materials and components. In addition to its own workforce, upstream strategic suppliers and downstream customers and institutional partners enable AVIO to sustain its business model.

This section seeks to provide an overview of the AVIO Group's value chain.



Upstream activities include product design, production and procurement of raw materials, specifically defined as follows:

- **procurement of raw materials, semi-finished products, subsystems and finished components:** extraction and processing of raw materials, semi-finished products (e.g. electric components), and subsystems applied by subcontractors for space programmes, in addition to finished components used by AVIO for integration into production.
- **inbound transport and logistics:** transportation of raw materials, semi-finished products and subsystems, including packaging, from suppliers to AVIO warehouses.

These stakeholders are primarily located in EU countries and the USA.

The AVIO Group's own operations, including the development, production and direct sales of finished projects (in addition to support activities), are grouped into the following key macro-activities:

- **product design and development**
- **manufacturing & integration of AVIO Group products**
- **warehouse management**
- **outbound logistics controlled by the AVIO Group**

The Group mainly operates in EU countries (Italy, France), the USA and French Guiana.

Activities of the subsidiary Se.Co.Sv.Im: manages the Group's real estate activities in Colleferro, including: major building maintenance, plant and network upkeep, and the construction of new properties. As part of these operations, it oversees permitting for all construction projects and handles the management of properties.

Finally, downstream activities include:

- **use of AVIO Group products by customers**
- **end-of-life product disposal and waste management**

These stakeholders are primarily located in the regions where the Group operates (Italy, France, USA, French Guiana)

The downstream phases of the value chain are equally essential in ensuring that the value created in the initial stages is effectively delivered to the end customer. These phases directly influence customer satisfaction, while also strengthening the undertaking's market position and reputation. Through this approach, the entire AVIO Group value chain generates integrated value, optimising every stage of the process to maximise both economic performance and sustainable growth. For the business model description and value chain mapping, both qualitative and quantitative data were used, sourced from internal and external sources. These include financial performance metrics, supply chain insights, and market analysis reports.

SBM-2 - Interests and views of stakeholders

Avio considers stakeholder engagement as one of the company's foundational pillars: as a listed company, dialogue with stakeholders – and particularly shareholders – has taken on a key role over the years. The primary objective is to provide the investor community – and all stakeholders generally – with full access to the business information it requires to assess the Company's situation.

Below are the external and internal stakeholder categories and dialogue and engagement activities carried out in 2024, in addition to the stakeholder engagement activities specifically performed to update the materiality analysis, presented in the next section.

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In line with the definitions set out in ESRS 1 (AR 6, paragraphs 22 and 23), the AVIO Group's stakeholders are classified into "Users" (those who use sustainability statements) and "Affected" (those whose interests are or could be positively or negatively impacted by the undertaking's activities and business relationships).

Stakeholder categories	Type of stakeholder	Commitment and activities	Roles and responsibilities for involvement and communication	Stakeholder expectations
Shareholders/investors/financial analysts	User	The Group remains in constant communication with investors, ensuring transparent, clear, accurate, and timely dialogue. One of the Group's main objectives is to guarantee sustainable business success, including with a view to creating added value for its shareholders. In this context, the Group guarantees constant communication by adopting the best practices on investor relations with shareholders	Periodic financial reports, Corporate Governance Reports, Shareholders' Meetings, road shows, press releases, annual results presentation events, participation at international investor conferences, site visits to the production facilities for financial analysts who watch the stock on the stock exchange, events, and sustainability questionnaires Parties responsible: CEO, CFO & Investor Relations, Communications Manager	<ul style="list-style-type: none"> - Transparency on financial and non-financial performance - continuous improvement in the ESG field; - growth in shareholder value; - transparency on financial and non-financial performance.
Government institutions	User	The Group ensures the highest levels of integrity and honesty in its interactions with government and public-sector entities. This commitment is based on a set of principles, roles, and responsibilities established in accordance with current regulations, which seek to foster constructive collaboration that serves the common good.	Conferences, dedicated meetings. Parties responsible: CEO, CFO, Institutional Relations, Communications Manager and General Counsel	<ul style="list-style-type: none"> - Compliance with applicable regulations; - combating corruption; - prevention of offences pursuant to Legislative Decree No. 231/2001; - professionalism and transparency concerning public sector needs.
Oversight and control authorities	User	The Group collaborates with supervisory and control authorities with the utmost integrity and honesty.	Technical roundtables, dedicated meetings, inspections, audits Parties responsible: CEO, CFO, and other Departments involved as appropriate	<ul style="list-style-type: none"> - Compliance with regulatory requirements; - compliance with applicable regulations;

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				<ul style="list-style-type: none"> - professionalism and transparency in dealings with these authorities.
Customers and business partners	Affected	The Group seeks to satisfy its customers by attempting to anticipate the needs of current and prospective customers to create value in the short, medium, and long term.	<p>Corporate website, dedicated meetings, brochures</p> <p>Parties responsible: CEO, CFO, Chief Commercial Officer and General Counsel</p>	<ul style="list-style-type: none"> - Quality and safety of products and materials; - ongoing support and advice; - product information and training.
Suppliers and sub-contractors	Affected	The Group encourages a dialogue that aims to establish and maintain stable and lasting partnerships, while also promoting ethical, social, and environmental responsibility towards suppliers and workers	<p>Company website, dedicated meetings</p> <p>Parties responsible: CEO, CFO, Supply Chain Function</p>	<ul style="list-style-type: none"> - Compliance with contractual conditions; - continuity in supply demand; - fair and non-discriminatory treatment.
Own workforce or value chain workers	Affected	The Group encourages a dialogue that aims to establish and maintain stable and lasting partnerships, while also promoting ethical, social, and environmental responsibility among its workers and suppliers.	<p>Company website, dedicated meetings</p> <p>Parties responsible: CEO, CFO, Human Resources Department, Supply Chain Function, Chief Commercial Officer</p>	<ul style="list-style-type: none"> - Compliance with contractual conditions; fair and non-discriminatory treatment.
Media	User	The Group collaborates with the media on an ongoing basis through interviews, presentations, and dedicated events. It is committed to promoting information campaigns on sustainable innovations, industry news, and any actions taken in aid of the community and environment	<p>Social networks, press releases, interviews, site visits to production plants</p> <p>Parties responsible: CEO, CFO, Institutional Relations, Investor Relator, Communications Manager and General Counsel</p>	<ul style="list-style-type: none"> - Timely and truthful communication of the Group's performance and of the main market news emerging; - Presentation of the initiatives of social, cultural and environmental importance; - Presentation of innovations developed and sustainability

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				trends.
Academia	Affected	The Group fosters a shared dialogue with universities, training colleges, and national and international research centres. The objective is to share its passion and expertise in the aerospace industry with new generations. In addition, the Group seeks to inspire and encourage younger generations to study STEM subjects.	Partnerships, conferences, dedicated meetings. Parties responsible: Human Resources Department, Engineering Department	<ul style="list-style-type: none"> - Promotion of youth and female employment of research and development; - Development of activities of interest with active involvement of students.
Trade associations	User	The Group maintains constructive relations with trade unions to promote an understanding of market needs and trends, facilitate discussions, and contribute to sustainable development.	Conferences, working tables, events, workshops, and dedicated meetings. Parties responsible: Administration, Finance and Control Department, Legal Department, Human Resources Department	<ul style="list-style-type: none"> - Compliance with participation requirements and group's active involvement in the dialogue and to events and/or activities promoted; - Sharing of relevant sector insights; - national and international collaborations and initiatives.
Local communities	Affected	The Group pays the utmost attention to the needs of the region in which it operates when conducting business. It seeks to extend the positive impact of its business to local communities.	Organisation of events and partnerships. Parties responsible: CEO, Human Resources Department, Communications Manager	<ul style="list-style-type: none"> - Implementation of business practices that protect the region and promote local development.
Trade unions	User/Affected	The Group promote ongoing exchange of information and advice with trade unions on issues of common interest to ensure the well-being of its workers and the protection of their rights.	Dedicated meetings Parties responsible: Human Resources department	<ul style="list-style-type: none"> - Respect for contractual conditions

The Avio Group places great value on interaction with stakeholders, considering it both a method for promoting inclusion and dialogue and a key tool for effectively guiding strategies and initiatives aimed at sustainable development. In this sense, dialogue with stakeholders is a centrally important input to make sure that the organization's planning and activities take stakeholder expectations into account.

In general, corporate bodies are periodically informed of key stakeholder engagement initiatives and their outcomes, so that strategies and planning can be established consistent with what emerges in these channels.

During the 2024 financial year, the undertaking deepened its understanding of the interests and perspectives of key stakeholders as part of its double materiality assessment, a process that involved both internal and external stakeholders. Regarding external stakeholders, as part of the stakeholder engagement of this first reporting exercise carried out according to the new CSRD regulations and the new European Sustainability Reporting Standards (ESRS), specific categories considered to be most informed about the Avio Group's ESG and business issues such as Shareholders and Investors, Suppliers and Partners and Customers were involved through a questionnaire. This process enabled the integration of stakeholder needs and expectations into the Group's double materiality definition.

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

In line with the requirements of the new CSRD regulation and the European Sustainability Reporting Standards (ESRS), the AVIO Group adopted, for the first time, a double materiality analysis process, examining materiality from both an impact perspective (inside-out) and a financial perspective (outside-in). This methodology, in compliance with the ESRS standards and the EFRAG operational guidelines, represents a significant evolution compared to previous reporting cycles, where the assessment was based solely on impact materiality under the GRI Standards. This new approach enables a more comprehensive and detailed analysis of the effects and implications on the Group's business model and corporate strategy.

The material impacts, risks and opportunities (IROs) identified are outlined in the double materiality assessment process and further described in the respective sections of this Sustainability Statement. Impacts were identified in consideration of the Group's strategy and business model, primarily linked to the Group's core activities, with a particular focus on its operations. Below are the material **impacts, risks and opportunities** identified through the AVIO Group's double materiality assessment for the 2024 reporting year, in accordance with the European Sustainability Reporting Standards (ESRS). In addition, considering the specific nature of the AVIO Group's business, risks and opportunities have been identified in relation to the entity-specific topic "Research, innovation and development".

Table - Impacts

ESRS topic	Impact	Type	Value chain ⁵⁹	Time horizon
E1 Climate change	Development of a monitoring and consumption reduction plan through renewable energy procurement	Positive Potential	Direct	Long-term
	Consumption of energy from non-renewable sources	Negative Actual	Direct	Short-term
	Energy consumption and emissions resulting from productive activities, product, use, and land and air transport (Scope 3)	Negative Actual	Direct and indirect (upstream & downstream)	Short-term
E2 Pollution	Use and potential release of pollutants during the production process	Negative Potential	Direct	Medium

⁵⁹ "Direct": own operations; "Indirect": value chain

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E3 Water and marine resources	Impacts linked to water resource consumption with regard to operations and the value chain	Negative Actual	Direct and indirect (upstream)	Short-term
E4 Biodiversity and ecosystems	Environmental impact generated by raw material extraction activities	Negative Actual	Indirect (upstream)	Short-term
	Development of activities to protect biodiversity and natural capital, in addition to the environmental remediation of areas subject to proceedings within the Site of National Interest (SIN)	Positive Actual	Direct	Long-term
	Potential negative impact on local biodiversity due to production, testing and launch activities	Negative Potential	Direct and indirect (downstream)	Long-term
E5 Circular economy	Waste generation and production scraps from operations and across the value chain	Negative Actual	Direct and indirect (upstream & downstream)	Short-term
	Proper waste management for materials not used in production	Positive Actual	Direct	Short-term
	Impacts caused by the potential improper recycling, recovery and disposal of hazardous and non-hazardous waste	Negative Potential	Direct	Long-term
S1 Own workforce	Job creation	Positive Actual	Direct	Short-term
	Guaranteeing workers' well-being and protecting their rights	Positive Actual	Direct	Short-term
	Effective safeguarding of fair wages in line with national regulations, collective agreements and the company's remuneration policy	Positive Actual	Direct	Short-term
	Ensuring employee well-being and work-life balance through appropriate welfare initiatives	Positive Actual	Direct	Short-term
	Promoting a culture of safety and ongoing staff training, contributing to the creation of a safer environment and reducing workplace accidents	Positive Actual	Direct	Short-term
	Potential workplace injuries and/or accidents	Negative Potential	Direct	Long-term
	Development of programmes and initiatives to promote equal opportunities among employees and collaborators within the Group	Positive Actual	Direct	Short-term
	Investments in training plans designed to maintain and enhance corporate skills and expertise	Positive Actual	Direct	Short-term
	Development of initiatives for the inclusion of people with disabilities and compliance with regulations regarding the employment of protected categories	Positive Potential	Direct	Medium
	Adoption of preventive and protective measures against workplace violence and harassment (e.g. whistleblowing channels, code of ethics)	Positive Actual	Direct	Short-term
S2 Workers in the value chain	Potential human rights violations along the AVIO Group's value chain, with particular regard to raw material suppliers operating in geographic regions or countries with less stringent regulations in this area	Negative Potential	Indirect (upstream)	Medium
S3 Affected communities	Support for local initiatives and collaboration with local governments and organisations to enhance the well-being and satisfaction of affected communities (e.g. engagement with the population of the Municipality of Colleferro, which creates and helps to	Positive Actual	Direct	Short-term

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	foster relationships between residents and the local authorities, and protection of the industrial archaeological site)			
	Potential impacts on the safety of local communities in French Guiana and Perdasdefogu (Sardinia) related to launch activities	Negative Potential	Indirect (downstream)	Long-term
S4 Consumers and end-users	Potential loss or leakage of sensitive data	Negative Potential	Direct and indirect (upstream & downstream)	Long-term
	Adoption and presence of management systems and measures to protect sensitive data and information	Positive Actual	Direct	Short-term
G1 Business conduct	Managing the AVIO Group's operations in compliance with the principles of legality, transparency and integrity, in line with the Group's Code of Ethics, 231 Model and applicable aerospace and defence regulations	Positive Actual	Direct	Short-term
	Improving the supplier selection and monitoring system based on environmental, social and governance parameters	Positive Actual	Direct	Short-term
	Ensuring appropriate payment practices for suppliers to maintain good relationships with business partners and business continuity	Positive Actual	Direct and indirect (upstream)	Short-term
	Potential corruption cases that may occur throughout the Avio Group value chain, considering countries of operation and suppliers (potential, direct and indirect)	Negative Potential	Direct and indirect (upstream & downstream)	Long-term

Table – Risks and opportunities

ESRS topic	Risk / Opportunity	Type	Value chain	Time horizon
E1 Climate change	Physical risks associated with increased economic costs and financial losses due to the increased frequency of extreme weather events related to climate change	Risk	Direct and indirect (upstream & downstream)	Medium
	Ease of energy procurement for Avio thanks to Termica Colleferro's activities	Opportunities	Direct	Medium
E2 Pollution	Risk of potential costs arising from penalties for non-compliance with environmental regulations (remediation) (Se.Co.Sv.Im))	Risk	Direct	Short-term
E5 Circular economy	Risk of production disruption due to external events such as natural disasters or supply chain breakdowns for non-replaceable goods and services	Risk	Indirect (upstream)	Short-term
	Improved material management, potentially impacting cost structures thanks to the introduction of circular economy practices	Opportunities	Direct	Short-term
	Research and development into the disposal of (space) debris.	Opportunities	Direct	Medium
S1 Own workforce	Increased corporate productivity thanks to enhanced employee well-being	Opportunities	Direct	Short-term
	Risks related to the loss of key personnel/critical skills and the inability to attract new talent	Risk	Direct	Short-term

S4 Consumers and end- users	Risk of loss of confidentiality of information and/or sensitive data, leading to operational disruptions	Risk	Direct and indirect (upstream & downstream)	Short-term
	Risk of poor product quality for customers or third parties, which could lead to failures	Risk	Direct and indirect (upstream & downstream)	Short-term
G1 Business conduct	Risk of non-compliance with applicable industry regulations and/or country-specific regulations where the Group operates	Risk	Direct and indirect (upstream & downstream)	Short-term
	Risk of non-compliance with market abuse regulations	Risk	Direct	Short-term
	Risk linked to the management of classified information	Risk	Direct and indirect (upstream & downstream)	Short-term
	Risk related to the inefficiency or unavailability of strategic suppliers and obsolescence of components	Risk	Indirect (upstream)	Short-term
	Reputational advantage thanks to ESG monitoring of the entire value chain and the adoption of responsible business practices	Opportunities	Direct	Medium
[AVIO Specific] Research, development and innovation	Risks associated with greater insurance coverage related to the new role of launch service provider	Risk	Direct	Medium
	Risk of insufficient investment in R&D resulting in difficulties in developing new technologies	Risk	Direct	Medium
	Development of new technologies with related improvement of competitive position and consequent new market opportunities	Opportunities	Direct	Medium
	Security and business continuity through contracted programs with institutional customers	Opportunities	Direct	Short-term

Regarding risks related to pollution issues, please refer to the consolidated financial statements note "3.24. Provisions for risks and charges". Regarding the identified risks related to supply chain management, such as interruption of supply of goods, please refer to the Directors' Report section "Main risks and uncertainties the Group is exposed to" sub-section *Risks related to war in Ukraine*. Regarding the risks identified under the topic S1 Own workforce, the Company reserves the right to enter into non-competition agreements involving specific roles with strategic knowledge, in compliance with statutory provisions and limitations of a maximum duration of 12 months which envisages payment equal to a percentage of fixed remuneration (without prejudice to previous individual agreements already entered into). To date, the amount set aside is not significant. To date, a formalized resilience analysis of the strategy and business model for the above risks has not been conducted.

As this is the first year of reporting according to ESRS standards and as the first implementation of the double materiality process, the list of IROs cannot be compared with only the impact materiality analysis carried out up to the previous reporting.

The double materiality analysis also revealed two entity-specific risks and two entity-specific opportunities as material, shown specifically in the table above.

1.4 Management of impacts, risks and opportunities

IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities

The process adopted to identify and assess the AVIO Group's impacts, risks and opportunities (IROs) is based on the double materiality approach, as required by the CSRD regulation and supported by the EFRAG IG 1: Materiality Assessment Implementation Guidance.

The double materiality process conducted for this statement also reviewed the results of the previous year's impact materiality assessment, which was carried out according to the GRI Standards, updating them where necessary in response to regulatory requirements and any significant changes in the business model, value chain mapping, or stakeholders.

Financial risks were assessed using the AVIO Group's existing ERM framework, including the Group's dependencies. Opportunities were assessed through qualitative reasoning and by referring to the same severity and probability scales adopted in ERM.

This approach combines an assessment of the impacts generated by the company on people and the environment with an evaluation of risks and opportunities, incorporating analysis and evaluations of AVIO's ERM framework that could influence financial performance.

The Double Materiality methodology followed a process comprising several phases:

1. **Understanding the organisational context and value chain mapping:** to identify relevant ESG-related impacts, risks and opportunities for the AVIO Group, an in-depth analysis of the operational context was conducted, extending beyond the core business to include the entire value chain (both upstream and downstream) and major sustainability macro-trends.
This analysis involved a benchmarking study of peer practices, based on publicly available documentation. In addition, internationally recognised sources, such as S&P Global, the World Economic Forum, and SASB, were consulted to identify key sustainability topics related to the sector. A review of the AVIO Group's internal and external documents was carried out to assess their relevance to the ESG topics analysed. As part of this activity, a mapping exercise of the AVIO Group's value chain was conducted, identifying involved/affected stakeholders.
2. **Identification of IROs:** based on the results of the contextual and ERM analysis findings, in addition to a series of workshops involving a pool of key stakeholders, an identification process was launched for both current and potential positive and negative impacts, risks and opportunities (IROs) related to environmental, social and governance (ESG) matters. This process led to the definition of a comprehensive long list of IROs, using as a reference the ESRS 1 - AR 16 list of topics, sub-topics, and sub-sub-topics. The IRO identification process considered impacts the undertaking is involved in through its activities, in addition to those arising from its business relationships.
3. **IRO assessment:** after identifying the stakeholders/owners/key representatives involved in the assessment process and defining the assessment parameters in line with the EFRAG Double Materiality Guidelines and the AVIO Group's ERM assessment scales, a double materiality workshop was conducted with internal stakeholders (Top Management). The double materiality workshop findings were subsequently integrated into the AVIO Group's list of impacts, risks and opportunities (IROs). In addition, nine external stakeholders were involved in the impact materiality assessment through an anonymous questionnaire, which included a list of pre-identified positive or negative, actual or potential impacts as determined by internal stakeholders.
4. **Finalisation and final IRO approval:** once the completed questionnaires were obtained, a reworking and aggregation of the final results was carried out by combining them with those of the internal evaluation through an internal review of the long list of impacts, risks and opportunities (IROs). Finally, the results of the dual materiality were submitted for validation by the Audit, Risk, Sustainability Committee and Board of Statutory Auditors and the entire Board of Directors, gathering any feedback.

The Avio Group has adopted policies, procedures, management systems and control measures to identify and mitigate actual or potential negative sustainability impacts.

Given the Group's operational scope, impact identification considered the specific (business and geographical) context in which AVIO's individual entities operate. The aggregated assessment accurately reflects impact severity, taking into account country, site, asset and business model diversity.

Through upstream and downstream value chain mapping, including an assessment of supplier types and procurement categories, AVIO identified impacts arising from its business relationships.

In line with ESRS 1, Section 3.4 (Impact Materiality), specific evaluation parameters/thresholds were defined for assessing impacts:

For actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on the following factors:

- a) scale (how severe the impact is for people or the environment);
- b) scope (how widespread the impact is. With regard to environmental impacts, the scope can be understood as the extent of environmental damage or a geographical boundary. With regard to

- impacts on people, the scope can be understood as the number of people who are negatively impacted); and
- c) the irremediable character of the impact (whether and to what extent the impact can be counteracted, i.e. by restoring the environment or individuals affected to their original state).

For positive impacts, materiality is assessed based on the following aspects:

- a) scale (how much benefit the positive impact generates for people or the environment) and scope (how widespread the impact is) for current positive impacts; and
- b) scale, scope and likelihood for potential positive impacts.

The Group has adopted an integrated approach that systematically considers Enterprise Risk Management analysis and the connections between impacts, dependencies, risks and ESG-related opportunities across the entire value chain. In line with ESRS 1, AR 14, the AVIO Group has assessed how its impacts – both positive and negative – can generate risks, such as potential reputational, financial or legal damages, and opportunities, such as innovation, improved operational performance and strengthened stakeholder relationships.

The risks identified and associated with ESRS sustainability issues were assessed against materiality thresholds based on the Avio Group's ERM models. Opportunities were identified through consultation with key contacts and the value chain mapping process, assessing relevance according to the magnitude of the financial effects of the identified opportunity. For more information, reference is made to the Directors' Report section "*Group principal risks and uncertainties*".

The Enterprise Risk Management process in Avio, which also contains ESG risks, begins with the collection and analysis of relevant information for the purpose of greater and deeper understanding of the activities conducted by the Company. Through examining this information and conducting specific interviews, risk assessment is then arrived at through defined Risk Scoring Scales, i.e., scales for assessing the Probability of occurrence, Impact and Maturity level of the existing Risk Management System.

The identification, assessment and management of impacts and risks are fully integrated into the company's Enterprise Risk Management (ERM) system, ensuring a coherent and systematic approach. This integration allows AVIO to align impact and risk management, along with related dependencies, with the Group's overall risk profile, enabling a unified and strategic perspective. By evaluating scenarios and identifying priorities, the process helps to define corporate strategies, support informed decision-making, and optimise risk mitigation efforts.

The identification, assessment and management of opportunities are integrated, where applicable, into the undertaking's overall management process. This ensures that potential synergies between dependencies, impacts, risks and opportunities are considered within the strategic and operational framework, ensuring that new opportunities are also taken into account. The integrated structure fosters a proactive approach, which seeks not only to mitigate risks but also to capitalise on opportunities, in line with corporate targets and market conditions.

The input parameters employed in the process of identifying and assessing impacts, risks and opportunities (IROs) related to sustainability are based on a multi-level approach. In the context analysis phase, the Group uses publicly available documents and industry standards, supported by internal analysis. The second phase, dedicated to identifying IROs, incorporates various parameters to capture the full scope of the Group's business (Cooking BU and Motors BU), along with the geographical and sector-based diversity of its operations. During the IRO assessment phase, the process focused on reducing reliance on estimates, prioritising the use of verified data and shared assumptions, in line with the EFRAG Materiality Assessment Implementation Guidance. Specific methodologies were developed for the assessment of impact materiality and risks and opportunities (financial materiality), with the thresholds outlined in previous sections.

The materiality analysis was updated from the previous year, shifting from an approach based solely on impact materiality, according to the GRI (Global Reporting Initiative) standards, to a double materiality assessment, as required by the new regulation. This change led to a significant revision of the process for identifying impacts, risks and opportunities, in addition to their assessment. The main changes include the incorporation of a financial perspective and the identification of opportunities along the Avio Group's value chain. In line with sustainability reporting, the update of the double materiality process carried out in 2024 is scheduled for the year 2025.

IRO-2 - Disclosure Requirements in ESRS covered by the undertaking's sustainability statement

The following table lists the ESRS disclosure requirements that informed the preparation of the AVIO Group's 2024 Sustainability Statement.

Disclosure Requirement		Paragraph
ESRS 2 - General Disclosures		
BP-1	General basis for preparation of sustainability statements	1.1 Basis for preparation
BP-2	Disclosures in relation to specific circumstances	1.1 Basis for preparation
GOV-1	The role of the administrative, management and supervisory bodies	1.2 Governance 11.1.1 Governance
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	1.2 Governance
GOV-3	Integration of sustainability-related performance in incentive schemes	1.2 Governance 2.2.1 Governance
GOV-4	Statement on due diligence	1.2 Governance
GOV-5	Risk management and internal controls over sustainability reporting	1.2 Governance
SBM-1	Strategy, business model and value chain	1.3 Strategy
SBM-2	Interests and views of stakeholders	1.3 Strategy 7.1.1 Strategy 8.1.1 Strategy 9.1.1 Strategy
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3 Strategy 2.2.2 Strategy 5.1.1 Strategy 7.1.1 Strategy 8.1.1 Strategy 9.1.1 Strategy 10.1.1 Strategy
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	1.4 Management of impacts, risks and opportunities 2.2.2 Strategy 3.1.1 Management of impacts, risks and opportunities 4.1.1 Management of impacts, risks and opportunities 5.1.1 Strategy 6.1.1 Management of impacts, risks and opportunities 11.1.2 Management of impacts, risks and opportunities
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	1.4 Management of impacts, risks and opportunities
MDR-P	Policies adopted to manage material sustainability matters	MDR-P - Policies adopted to manage material sustainability matters 2.2.2 Management of impacts, risks and opportunities 3.1.1 Management of impacts, risks and opportunities

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		4.1.1 Management of impacts, risks and opportunities 5.1.2 Management of impacts, risks and opportunities 6.1.1 Management of impacts, risks and opportunities 7.1.2 Management of impacts, risks and opportunities 8.1.2 Management of impacts, risks and opportunities 9.1.2 Management of impacts, risks and opportunities 10.1.2 Management of impacts, risks and opportunities 11.1.2 Management of impacts, risks and opportunities
MDR-A	Actions and resources in relation to material sustainability matters	2.2.2 Management of impacts, risks and opportunities 3.1.1 Management of impacts, risks and opportunities 4.1.1 Management of impacts, risks and opportunities 5.1.1 Strategy 6.1.1 Management of impacts, risks and opportunities 7.1.2 Management of impacts, risks and opportunities 8.1.2 Management of impacts, risks and opportunities 9.1.2 Management of impacts, risks and opportunities 10.1.2 Management of impacts, risks and opportunities 11.1.2 Management of impacts, risks and opportunities
MDR-M	Metrics in relation to material sustainability matters	2.2.3 Metrics and targets 3.1.2 Metrics and targets 4.1.2 Metrics and targets 5.1.3 Metrics and targets 6.1.2 Metrics and targets 7.1.3 Metrics and targets 11.1.2 Metrics and targets
MDR-T	Tracking effectiveness of policies and actions through targets	2.2.3 Metrics and targets 3.1.2 Metrics and targets 4.1.2 Metrics and targets 5.1.3 Metrics and targets 6.1.2 Metrics and targets 7.1.3 Metrics and targets 8.1.3 Metrics and targets 9.1.3 Metrics and targets 10.1.3 Metrics and targets 11.1.2 Metrics and targets
ESRS E1 - Climate Change		
ESRS 2, GOV-3	Integration of sustainability-related performance in incentive schemes	2.2.1. Governance
E1-1	Transition plan for climate change mitigation	2.2.2 Strategy

ESRS 2, SBM 3	Material impacts, risks and opportunities and their interaction with strategy and business model	2.2.2 Strategy
ESRS 2, IRO 1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	2.2.2 Strategy
E1-2	Policies related to climate change mitigation and adaptation	2.2.2 Management of impacts, risks and opportunities
E1-3	Actions and resources in relation to climate change policies	2.2.2 Management of impacts, risks and opportunities
E1-4	Targets related to climate change mitigation and adaptation	2.2.3 Metrics and targets
E1-5	Energy consumption and mix	2.2.3 Metrics and targets
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	2.2.3 Metrics and targets
E1-7	GHG removals and carbon credits	2.2.3 Metrics and targets
E1-8	Internal carbon pricing	2.2.3 Metrics and targets
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	<i>Subject to phase-in</i>
ESRS E2 - pollution		
ESRS 2, IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	3.1.1 Management of impacts, risks and opportunities
E2-1	Policies related to pollution	3.1.1 Management of impacts, risks and opportunities
E2-2	Actions and resources related to pollution	3.1.1 Management of impacts, risks and opportunities
E2-3	Pollution-related targets	3.1.2 Metrics and targets
E2-4	Air, water and soil pollution	3.1.2 Metrics and targets
E2-5	Substances of concern	3.1.2 Metrics and targets
E2-6	Anticipated financial effects from material physical and transition risks and potential pollution-related opportunities	<i>Subject to phase-in</i>
ESRS E3 - Water and marine resources		
ESRS 2, IRO-1	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	4.1.1 Management of impacts, risks and opportunities
E3-1	Policies related to water and marine resources	4.1.1 Management of impacts, risks and opportunities
E3-2	Actions and resources related to water and marine resources	4.1.1 Management of impacts, risks and opportunities
E3-3	Targets related to water and marine resources	4.1.2 Metrics and targets
E3-4	Water consumption	4.1.2 Metrics and targets
E3-5	Anticipated financial effects from impacts, risks and opportunities related to water and marine resources	<i>Subject to phase-in</i>
ESRS E4 Biodiversity and ecosystems		
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	5.1.1 Strategy
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	5.1.1 Strategy

ESRS 2, IRO 1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	5.1.1 Strategy
E4-2	Policies related to biodiversity and ecosystems	5.1.2 Management of impacts, risks and opportunities
E4-3	Actions and resources related to biodiversity and ecosystems	5.1.2 Management of impacts, risks and opportunities
E4-4	Targets related to biodiversity and ecosystems	5.1.3 Metrics and targets
E4-5	Impact metrics related to biodiversity and ecosystems change	5.1.3 Metrics and targets
E4-6	Anticipated financial effects from risks and opportunities related to biodiversity and ecosystems	<i>Subject to phase-in</i>
ESRS E5 – Resource use and circular economy		
ESRS 2, IRO 1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	6.1.1 Management of impacts, risks and opportunities
E5-1	Policies related to resource use and circular economy	6.1.1 Management of impacts, risks and opportunities
E5-2	Actions and resources related to resource use and circular economy	6.1.1 Management of impacts, risks and opportunities
E5-3	Targets related to resource use and circular economy	6.1.2 Metrics and targets
E5-5	Resource outflows	6.1.2 Metrics and targets
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	<i>Subject to phase-in</i>
ESRS S1 – Own workforce		
ESRS 2, SBM 2	Interests and views of stakeholders	7.1.1 Strategy
ESRS 2, SBM 3	Material impacts, risks and opportunities and their interaction with strategy and business model	7.1.1 Strategy
S1-1	Policies related to own workforce	7.1.2 Management of impacts, risks and opportunities
S1-2	Processes for engaging with own workers and workers' representatives about impacts	7.1.2 Management of impacts, risks and opportunities
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	7.1.2 Management of impacts, risks and opportunities
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	7.1.2 Management of impacts, risks and opportunities
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	7.1.3 Metrics and targets
S1-6	Characteristics of the undertaking's employees	7.1.3 Metrics and targets
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	<i>Subject to phase-in</i>
S1-8	Collective bargaining coverage and social dialogue	7.1.3 Metrics and targets <i>Phase-in applied to non-EEA workers</i>

S1-9	Diversity metrics	7.1.3 Metrics and targets
S1-10	Adequate wages	7.1.3 Metrics and targets
S1-11	Social protection	<i>Subject to phase-in</i>
S1-12	Persons with disabilities	<i>Subject to phase-in</i>
S1-13	Training and skills development metrics	7.1.3 Metrics and targets
S1-14	Health and safety metrics	7.1.3 Metrics and targets <i>Phase-in applied to non-employees</i>
S1-15	Work-life balance metrics	<i>Subject to phase-in</i>
S1-16	Remuneration metrics (pay gap and total remuneration)	7.1.3 Metrics and targets
S1-17	Incidents, complaints and severe human rights impacts	7.1.3 Metrics and targets
ESRS S2 - Workers in the value chain		
ESRS 2, SBM-2	Interests and views of stakeholders	8.1.1 Strategy
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	8.1.1 Strategy
S2-1	Policies related to value chain workers	8.1.2 Management of impacts, risks and opportunities
S2-2	Processes for engaging with value chain workers about impacts	8.1.2 Management of impacts, risks and opportunities
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	8.1.2 Management of impacts, risks and opportunities
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	8.1.2 Management of impacts, risks and opportunities
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	8.1.3 Metrics and targets
ESRS S3 Affected communities		
ESRS 2, SBM-2	Interests and views of stakeholders	9.1.1 Strategy
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	9.1.1 Strategy
S3-1	Policies related to affected communities	9.1.2 Management of impacts, risks and opportunities
S3-2	Processes for engaging with affected communities about impacts	9.1.2 Management of impacts, risks and opportunities
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	9.1.2 Management of impacts, risks and opportunities
S3-4	Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	9.1.2 Management of impacts, risks and opportunities
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	9.1.3 Metrics and targets

ESRS S4 – Consumers and end-users		
ESRS 2, SBM 2	Interests and views of stakeholders	10.1.1 Strategy
ESRS 2, SBM 3	Material impacts, risks and opportunities and their interaction with strategy and business model	10.1.1 Strategy
S4-1	Policies related to consumers and end-users	10.1.2 Management of impacts, risks and opportunities
S4-2	Processes for engaging with consumers and end-users about impacts;	10.1.2 Management of impacts, risks and opportunities
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	10.1.2 Management of impacts, risks and opportunities
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions;	10.1.2 Management of impacts, risks and opportunities
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	10.1.3 Metrics and targets
ESRS G1 – Business conduct		
ESRS 2, GOV-1	The role of the administrative, management and supervisory bodies	11.1.1 Governance
ESRS 2, IRO 1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	11.1.2 Management of impacts, risks and opportunities
G1-1	Corporate culture and business conduct policies	11.1.2 Management of impacts, risks and opportunities
G1-2	Management of relationships with suppliers	11.1.2 Management of impacts, risks and opportunities
G1-3	Prevention and detection of corruption and bribery	11.1.2 Management of impacts, risks and opportunities
G1-4	Confirmed incidents of corruption or bribery	11.1.2 Metrics and targets
G1-6	Payment practices	11.1.2 Metrics and targets

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

The following table lists the datapoints derived from other European Union legislation that are reported within this Consolidated Sustainability Statement, in accordance with Appendix B of ESRS 2.

Disclosure requirement and corresponding datapoint	SFDR reference	Pillar 3 reference	Reference regulation reference	Reference Climate Law reference	Paragraph
ESRS 2 GOV-1 Board's gender diversity, paragraph 21(d)	Annex I, table 1, indicator no. 13		Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		ESRS 2 GOV-1 - The role of the administrative, management and supervisory bodies
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21(e)			Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		ESRS 2 GOV-1 - The role of the administrative, management and supervisory bodies
ESRS 2 GOV-4 Statement on due diligence, paragraph 30	Annex I, table 3, indicator no. 10				ESRS 2 GOV-4 - Statement on due diligence
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40(d)(i)	Annex I, table 1, indicator no. 4	Article 449a of Regulation (EU) no. 575/2013; Commission Implementing Regulation (EU) 2022/2453 table 1 - Qualitative information on environmental risk and Table 2 - Qualitative information on social risk	Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		Not applicable for the Group
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40(d)(ii)	Annex I, table 2, indicator no. 9		Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		Not applicable for the Group
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40(d)(iii)	Annex I, table 1, indicator no. 14	Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818 (7) and Annex II of Delegated			Not applicable for the Group

		Regulation (EU) 2020/1816			
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco, paragraph 40(d)(iv)			Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818 and Annex II of Delegated Regulation (EU) 2020/1816		Not applicable for the Group
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14				Article 2, paragraph 1 of Regulation (EU) 2021/1119	E1-1 - Transition plan for climate change mitigation
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16(g)		Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book - Climate change transition risk indicators: Credit quality of exposures by sector, emissions and residual maturity	Article 12(1)(d) to (g), and paragraph 2, of Delegated Regulation (EU) 2020/1818		Not applicable for the Group
ESRS E1-4 GHG emission reduction targets, paragraph 34	Annex I, table 2, indicator no. 4	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book - Climate change transition risk: alignment metrics	Article 6 of Delegated Regulation (EU) 2020/1818		E1-4 - Targets related to climate change mitigation and adaptation
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors), paragraph 38	Annex I, table 1, indicator no. 5 and Annex I, table 2, indicator no. 5				E1-5 - Energy consumption and mix

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ESRS E1-5 Energy consumption and mix, paragraph 37	Annex I, table 1, indicator no. 5				E1-5 - Energy consumption and mix
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	Annex I, table 1, indicator no. 6				E1-5 - Energy consumption and mix
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	Annex I, table 1, indicators no. 1 and 2	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book - Potential climate change transition risk indicators: Credit quality of exposures by sector, emissions and residual maturity	Article 5, paragraph 1, Article 6 and Article 8, paragraph 1 of Delegated Regulation (EU) 2020/1818		E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	Annex I, table 1, indicator no. 3	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book - Climate change transition risk: alignment metrics	Article 8, paragraph 1 of Delegated Regulation (EU) 2020/1818		E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions
ESRS E1-7 GHG removals and carbon credits, paragraph 56				Article 2, paragraph 1 of Regulation (EU) 2021/1119	Phase-in
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66			Annex II of Delegated Regulation (EU) 2020/1818 and Annex II of Delegated Regulation (EU) 2020/1816		Phase-in

ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66(a) ESRS E1-9 Location of significant assets at material physical risk, paragraph 66 letter c)		Article 449a of Regulation (EU) No. 575/2013; paragraphs 46 and 47 of Commission Implementing Regulation (EU) 2022/2453; template 5: Banking book - Potential climate change transition risk indicators: exposures subject to physical risk			Phase-in
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67(c)		Article 449a of Regulation (EU) No. 575/2013; Item 34 of Commission Implementing Regulation (EU) 2022/2453; Template 2: Banking book - Potential climate change transition risk indicators: loans collateralised by immovable property – Energy efficiency of the collateral			Phase-in
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69			Annex II of Delegated Regulation (EU) 2020/1818		Phase-in
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Annex I, table 1, indicator no. 8; annex I, table 2, indicator no. 2; annex I, table 2, indicator no. 1; annex I, table 2, indicator no. 3				E2-4 – Pollution of air, water and soil

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ESRS E3-1 Water and marine resources paragraph 9	Annex I, table 2, indicator no. 7				E E3-1 – Policies related to water and marine resources
ESRS E3-1 Dedicated policy paragraph 13	Annex I, table 2, indicator no. 8				E E3-1 – Policies related to water and marine resources
ESRS E3-1 Sustainable oceans and seas, paragraph 14	Annex I, table 2, indicator no. 12				Not material for the Group
ESRS E3-4 Total water recycled and reused, paragraph 28(c)	Annex I, table 2, indicator no. 6.2				E3-4 – Water consumption
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations, paragraph 29	Annex I, table 2, indicator no. 6.1				E3-4 – Water consumption
ESRS 2 SBM-3 – E4 paragraph 16(a)(i)	Annex I, table 1, indicator no. 7				ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS 2 SBM-3 – E4 paragraph 16(b)	Annex I, table 2, indicator no. 10				ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS 2 SBM-3 – E4 paragraph 16(c)	Annex I, table 2, indicator no. 14				ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS E4-2 Sustainable land/agriculture practices or policies, paragraph 24(b)	Annex I, table 2, indicator no. 11				Not material for the Group
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24(c)	Annex I, table 2, indicator no. 12				Not material for the Group
ESRS E4-2	Annex I, table 2,				Not material for the Group

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Policies to address deforestation, paragraph 24(d)	indicator no. 15				
ESRS E5-5 Non-recycled waste, paragraph 37(d)	Annex I, table 2, indicator no. 13				E5-5 – Resource outflows
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	Annex I, table 1, indicator no. 9				E5-5 – Resource outflows
ESRS 2 – SBM3 – S1 Risk of incidents of forced labour, paragraph 14(f)	Annex I, table 3, indicator no. 13				Not material for the Group
ESRS 2 – SBM3 – S1 Risk of incidents of child labour, paragraph 14(g)	Annex I, table 3, indicator no. 12				Not material for the Group
ESRS S1-1 Human rights policy commitments, paragraph 20	Annex I, table 3, indicator no. 9 and Annex I, table 1, indicator no. 11				S1-1 – Policies related to own workforce
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		S1-1 – Policies related to own workforce
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	Annex I, table 3, indicator no. 11				Not material for the Group
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	Annex I, table 3, indicator no. 1				S1-1 – Policies related to own workforce
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32(c)	Annex I, table 3, indicator no. 5				S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns
ESRS S1-14 Number of fatalities and number and rate of work-related	Annex I, table 3, indicator no. 2		Delegated Regulation (EU) 2020/1816 of		S1-14 – Health and safety metrics

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accidents, paragraph 88(b) and (c)			the Commission, Annex II		
ESRS S1-14 Number of days lost due to injuries, accidents, fatalities or illness, paragraph 88(e)	Annex I, table 3, indicator no. 3				S1-14 – Health and safety metrics
ESRS S1-16 Unadjusted gender pay gap, paragraph 97(a)	Annex I, table 1, indicator no. 12		Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		S1-16 – Remuneration metrics (pay gap and total remuneration)
ESRS S1-16 Excessive CEO pay ratio, paragraph 97 letter b)	Annex I, table 3, indicator no. 8				S1-16 – Remuneration metrics (pay gap and total remuneration)
ESRS S1-17 Incidents of discrimination, paragraph 103(a)	Annex I, table 3, indicator no. 7				S1-17 – Incidents, complaints and severe human rights impacts
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD, paragraph 104(a)	Annex I, table 1, indicator no. 10 and Annex I, table 3, indicator no. 14		Annex II of Delegated Regulation (EU) 2020/1816 and Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818		S1-17 – Incidents, complaints and severe human rights impacts
ESRS 2 SBM-3 - S2 Significant risk of child labour or forced labour in the value chain, paragraph 11(b)	Annex I, table 3, indicators no. 12 and 13				Not material for the Group
ESRS S2-1 Human rights policy commitments, paragraph 17	Annex I, table 3, indicator no. 9 and Annex I, table 1, indicator no. 11				S2-1 – Policies related to value chain workers
ESRS S2-1 Policies related to value chain workers, paragraph 18	Annex I, table 3, indicators no. 11 and 4				S2-1 – Policies related to value chain workers

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ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 19	Annex I, table 1, indicator no. 10		Annex II of Delegated Regulation (EU) 2020/1816 and Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818		S2-1 – Policies related to value chain workers
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816 of the Commission, Annex II		S2-1 – Policies related to value chain workers
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	Annex I, table 3, indicator no. 14				S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action
ESRS S3-1 Human rights policy commitments, paragraph 16	Annex I, table 3, indicator no. 9 and Annex I, table 1, indicator no. 11				S3-1 – Policies related to affected communities
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines, paragraph 17	Annex I, table 1, indicator no. 10		Annex II of Delegated Regulation (EU) 2020/1816 and Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818		S3-1 – Policies related to affected communities
ESRS S3-4 Human rights issues and incidents, paragraph 36	Annex I, table 3, indicator no. 14				S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material

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					opportunities related to affected communities, and effectiveness of those actions
ESRS S4-1 - Policies related to consumers and end-users, paragraph 16	Annex I, table 3, indicator no. 9 and Annex I, table 1, indicator no. 11				S4-1 – Policies related to consumers and end-users
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 17	Annex I, table 1, indicator no. 10		Annex II of Delegated Regulation (EU) 2020/1816 and Article 12, paragraph 1 of Delegated Regulation (EU) 2020/1818		S4-1 – Policies related to consumers and end-users
ESRS S4-4 Human rights issues and incidents, paragraph 35	Annex I, table 3, indicator no. 14				S4-4 - Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions
ESRS G1-1 United Nations Convention against corruption, paragraph 10(b)	Annex I, table 3, indicator no. 15				G1-1 - Corporate culture and business conduct policies
ESRS G1-1 Protection of whistle-blowers, paragraph 10(d)	Annex I, table 3, indicator no. 6				G1-1 - Corporate culture and business conduct policies
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24(a)	Annex I, table 3, indicator no. 17		Annex II of Delegated Regulation (EU) 2020/1816		G1-4 – Confirmed incidents of corruption or bribery
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24(b)	Annex I, table 3, indicator no. 16				G1-4 – Confirmed incidents of corruption or bribery

MDR-P - Policies adopted to manage material sustainability matters

In line with the minimum disclosure requirement, the table below provides a comprehensive overview of the policies and management systems adopted by the AVIO Group to prevent, mitigate and remediate actual and potential impacts, address risks and pursue opportunities. For the detail and association between the policies included in the table below to material sustainability issues and their impacts, risks and opportunities, please refer to the dedicated sections within the individual chapters.

Code of Ethics	
Main policy contents	<p>The Code of Ethics is based on the following guiding values:</p> <ul style="list-style-type: none"> - Ethical principles of fairness, transparency, honesty and integrity to which internal staff, collaborators, suppliers and those with whom Avio has close business relationships must conform. - Rules of Conduct: these define the guidelines and standards to which all recipients of the Code of Ethics must adhere to in order to comply with the general principles and prevent the risk of unethical behaviour; - Methods of implementation and control: these define the Company's appointed bodies in charge of supervising the application of the Code of Ethics, the reporting systems available to recipients, and the monitoring system for enacting its principles and for compliance with the Code of Ethics and its continuous improvement.
Application	AVIO Group and value chain
Subject responsible for policy implementation	Board of Directors
Regulatory references	Laws and regulations applicable to its business
Relevant stakeholders	All AVIO Group stakeholders
Policy dissemination method(s)	AVIO website
Charter of Ethics (<i>Charte D'Etique</i>)	
Main policy contents	<p>Following the example of the parent company and in line with the high standards adopted by it, Regulus has developed the Charte Etique (also the "Charter of Ethics"), which is broken down into three themes (namely, protection and respect for employees, compliance with laws, rules and regulations, and, finally, specifications for partners) and applies to all Company employees, both internally and externally, to the extent that an external commitment may be affected by a clause in the Charter</p>
Application	Regulus and related value chain
Subject responsible for policy implementation	Regulus
Regulatory references	N/A
Relevant stakeholders	All Regulus stakeholders
Policy dissemination method(s)	Internal mode
Environmental Policy	
Main policy contents	<p>Ensures principles of compliance, protection, prevention and integration regarding environmental aspects within business activities. General targets serve as a starting point to define specific improvement goals.</p>
Application	Entire AVIO Group
Subject responsible for policy implementation	Senior Management, HSE Department
Regulatory references	Environmental legal requirements and compliance obligations based on context-specific analysis
Relevant stakeholders	All AVIO Group stakeholders
Policy dissemination method(s)	Internal policy
Diversity Policy	
Main policy contents	<p>Defines and formalises the criteria and tools adopted by Avio to ensure a suitable level of diversity in its Corporate Bodies with the</p>

	aim of orienting applications put forward by the shareholders during the renewal of Corporate Bodies and ensuring suitable consideration of the benefits that can be gained from a uniform composition, aligned to the various diversity criteria.
Application	Entire AVIO Group
Subject responsible for policy implementation	Board of Directors
Regulatory references	Directive 2014/95/EU, Legislative Decree No. 254/2016, Legislative Decree of February 24, 1998, Consob Resolution No. 11971 of May 14, 1999, Law No. 120/2011, Corporate Governance Code, Consob Resolution No. 21359/2020;
Relevant stakeholders	Shareholders, Investors, Financial Analysts
Policy dissemination method(s)	AVIO website
Welfare Plan	
Main policy contents	Ensures that all beneficiaries can access tax benefits under relevant regulations concerning welfare services and/or benefits, providing tangible and concrete advantages to employees and their families.
Application	Entire AVIO Group
Subject responsible for policy implementation	HR Management
Regulatory references	Article 51 of the Consolidated Income Tax Act (TUIR)
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Remuneration Policy - Talent Development	
Main policy contents	Through its Talent Development Policy, AVIO sets out several objectives: <ul style="list-style-type: none"> - Ensure professional and salary growth for top talent through a Merit-Based Development Policy based on differentiation - Establish career development paths for acquiring technical and/or managerial skills and retaining high-potential employees
Application	Entire AVIO Group
Subject responsible for policy implementation	HR Management
Regulatory references	N/A
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Specialist Career Policy	
Main policy contents	The purpose of the policy is to define the concept of a "Specialist Career", determine when it is applicable and provide guidance on its proper implementation in terms of process, total reward and development.
Application	Entire AVIO Group
Subject responsible for policy implementation	HR Management
Regulatory references	-
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Flexible Working Policy	
Main policy contents	Corporate regulation establishing conditions and implementation methods for flexible working across Company Departments
Application	Entire AVIO Group
Subject responsible for policy implementation	HR Management
Regulatory references	Legislative Decree 81/2018, Article 33 of Law No. 104 of February 5, 1992, Legislative Decree No. 66/2003, Article 4 of Law No. 300 of May 20, 1970;
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Travel Policy	

Main policy contents	The document serves as a comprehensive guide for the proper management of business travel and ensures that all Avio Group employees receive the necessary support during work assignments, both in Italy and abroad.
Application	Entire AVIO Group
Subject responsible for policy implementation	HR Management
Regulatory references	-
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Workplace Health & Safety Policy	
Main policy contents	Outlines AVIO's priorities in the conduct of its activities, including: protection of the health and safety of workers and the community, the safety of facilities, the control and minimisation of risks, the prevention of accidents and work-related ill health, in full compliance with existing health and safety laws and legislation for workers.
Application	Avio S.p.A.
Subject responsible for policy implementation	HSE Department
Regulatory references	Legislative Decree No. 105/15, Consolidated Law on Public Security, Legislative Decree No. 81/08.
Relevant stakeholders	Own workers
Policy dissemination method(s)	Internal policy
Major accident prevention policy	
Main policy contents	The document outlines the objectives and strategies that Avio intends to pursue in the prevention and control of major accidents, ensuring the protection of workers, the public and the environment.
Application	Avio S.p.A.
Subject responsible for policy implementation	HSE Department
Regulatory references	Legislative Decree No. 105/15, Consolidated Law on Public Security, Legislative Decree No. 81/08.
Relevant stakeholders	Own workers and affected communities
Policy dissemination method(s)	Internal policy
Quality, Occupational Health and Safety and Environmental Policy (<i>Politique en matière de Qualité, de Santé et Sécurité au travail et de respect de l'Environnement</i>)	
Main policy contents	Following the Parent Company's example and in line with its high standards, Regulus developed the <i>Politique en matière de Qualité, de Santé et Sécurité au travail et de respect de l'Environnement</i> (also "Quality, Occupational Health and Safety and Environmental Policy"). This policy outlines objectives related to health and safety, environmental protection and customer satisfaction, in line with the relevant ISO standards. This policy integrates with <i>Qualité de Vie et des Condition de Travail e la Prevention des Accidents Majeurs</i> .
Application	Regulus
Subject responsible for policy implementation	-
Regulatory references	-
Relevant stakeholders	Regulus and Regulus value chain
Policy dissemination method(s)	Internal policy
Quality Policy	
Main policy contents	Defines AVIO's fundamental values in maintaining the highest levels of excellence in product quality, performance, competitiveness and service quality while complying with applicable regulations.
Application	Avio S.p.A.
Subject responsible for policy implementation	Quality Department

Regulatory references	N/A
Relevant stakeholders	All internal and external stakeholders of the Avio Group
Policy dissemination method(s)	Internal policy
ITAR and EAR Materials Management Procedure	
Main policy contents	It ensures that materials (including intangible items such as software and technology) placed on the US market comply with ITAR and EAR regulations in the context of import, storage, transport, re-export and transit operations, in addition to alignment with internal management practices in accordance with the relevant regulations.
Application	AVIO Group
Subject responsible for policy implementation	AVIO S.p.A. departments
Regulatory references	US International Traffic in Arms Regulations (ITAR); US Export Administration Regulations (EAR)
Relevant stakeholders	All internal and external stakeholders of the Avio Group
Policy dissemination method(s)	Internal policy
Cyber Security Policy	
Main policy contents	Oversees the key aspects of cyber security management and includes a set of policies on the topic, including: data access, data storage and protection; the management of technological resources and the IT environment, in addition to physical and remote access conditions; the antivirus policy; acceptable use conditions; vulnerability assessment; and all procedures related to IT processes. Imposes the implementation of a range of cybersecurity measures and risk management activities. Measures include access control and enforcement of minimum privileges, robust multi-factor authentication, and measures to deter, detect or prevent malicious code, such as ransomware.
Application	AVIO S.p.A.
Subject responsible for policy implementation	Chief Information Security Officer
Regulatory references	Regulations related to the National Cybersecurity Perimeter established by d.l.n.105/2019; DPCM 81 of 14/04/2021; Legislative Decree No. 138/2024 implementing NIS Directive 2.
Relevant stakeholders	Group's own workers and users
Policy dissemination method(s)	Internal policy
Data Breach Management Policy	
Main policy contents	The policy defines the processing methods for sensitive and personal data and the procedures for managing any accidental or unlawful incidents related to unauthorised access, modification, disclosure, loss or destruction of these data. The policy outlines the purposes of data processing, the principles governing their processing (transparency, lawfulness, limitations, integrity, accountability) and the requirements for handling data breaches, including notification obligations to the Data Protection Authority and affected individuals.
Application	AVIO Group
Subject responsible for policy implementation	Data Protection Officer; IT Department; Legal Office
Regulatory references	Regulation (EU) 2016/679 (General Data Protection Regulation)
Relevant stakeholders	Group's own workers and users
Policy dissemination method(s)	Internal Policy
Corporate regulations for the use of information systems	
Main policy contents	Defines the methods for the use of IT systems, company devices and software to ensure data protection, safeguard sensitive information and secure the Group's IT infrastructure, mitigating cyber security risks.
Application	AVIO Group
Subject responsible for policy implementation	System administrators and similar roles

Regulatory references	Italian Data Protection Authority Provision No. 13/07 of March 1, 2007; Legislative Decree No. 196 of June 30, 2003, as amended by Legislative Decree No. 101/2018; Article 4 of Law No. 300/1970, as amended by Legislative Decree No. 151 of September 14, 2015;
Relevant stakeholders	Group's own workers and users
Policy dissemination method(s)	Internal policy
Internal Dealing Policy	
Main policy contents	The Internal Dealing Policy outlines the rules for Managers, Relevant Persons and Parties Closely Related to them and for Avio S.p.A. as described below, regarding their obligations to inform the Company, Consob and the market regarding Relevant Transactions carried out by the aforementioned parties, including through nominees, involving shares or financial instruments issued by Avio or other financial instruments related to them.
Application	AVIO Group
Subject responsible for policy implementation	Board of Directors
Regulatory references	Relevant provisions of the applicable laws and regulations. EU Regulation 596/2014, Delegated Regulation (EU) 2016/522, Legislative Decree No. 58/1998
Relevant stakeholders	All Group stakeholders
Policy dissemination method(s)	Company website
Related Party Transactions Procedure	
Main policy contents	Contains the rules that govern the approval and execution of related party transactions made by Avio S.p.A., directly or through subsidiaries, to ensure that such transactions are transparent and correct both in substance and from a procedural viewpoint.
Application	AVIO Group
Subject responsible for policy implementation	Board of Directors
Regulatory references	Article 2391- <i>bis</i> of the Civil Code and Article 4, paragraphs 1 and 3 of the Consob Regulation
Relevant stakeholders	-
Policy dissemination method(s)	AVIO website
Inside Information Processing Policy	
Main policy contents	The policy governs the management and processing of Inside Information concerning Avio and the Subsidiaries in addition to the procedures to be followed for the communication, both internally and externally, of such information.
Application	AVIO Group
Subject responsible for policy implementation	Board of Directors
Regulatory references	Legislative Decree No. 58 of February 24, 1998, Regulation (EU) No. 596/2014, Regulation (EU) No. 2019/2115, Regulation (EU) No. 1055/2016, Regulation (EU) No. 2016/347, Regulation (EU) No. 2022/1210, Regulation (EU) No. 2016/679, Legislative Decree No. 101 of August 10, 2018, Legislative Decree No. 196 of June 30, 2003, Legislative Decree No. 107/2018, Consob Communication No. 0061330 of July 1, 2016
Relevant stakeholders	-
Policy dissemination method(s)	AVIO website
Organisation, Management and Control Model	
Main policy contents	Regulates the administrative responsibility of legal persons, companies, and associations, including those without legal personality, in criminal proceedings for certain offences committed, in the interest or to the advantage of the same, by persons who hold positions of representation, administration or management of the entity or one of its organisational units with financial and functional autonomy, or by persons who exercise, even de facto, management and control of the entity and, finally,

	by persons subject to the management or supervision of one of the aforementioned persons.
Application	Avio S.p.A. and value chain
Subject responsible for policy implementation	Supervisory Board
Regulatory references	Legislative Decree No. 231/2001
Relevant stakeholders	All of Avio's internal and external stakeholders
Policy dissemination method(s)	AVIO website
Whistleblowing Procedure	
Main policy contents	Whistleblowing system as part of the activities carried out by the Company. The breaches that may be reported under the Whistleblowing Decree must relate to behaviour, acts or omissions that harm the public interest or integrity of the public administration or private entity (i.e. Avio), of which the Whistleblower has become aware within Avio's working environment.
Application	AVIO Group and value chain
Subject responsible for policy implementation	General Counsel
Regulatory references	Legislative Decree No. 24 of March 10, 2023 (Whistleblowing Decree), Legislative Decree No. 231 of June 8, 2001, Regulation (EU) 2016/679
Relevant stakeholders	All of Avio's internal and external stakeholders
Policy dissemination method(s)	AVIO website
Supplier Code of Conduct	
Main policy contents	Outlines how AVIO's suppliers must align with the company's values, principles and standards across all defined areas
Application	Value chain
Subject responsible for policy implementation	Senior Management
Regulatory references	International Bill of Rights, International Labour Organization (ILO) Conventions, Legislative Decree No. 24 of March 10, 2023, implementing Directive (EU) 2019/1937, (GDPR 679/2016)
Relevant stakeholders	All of Avio's internal and external stakeholders
Policy dissemination method(s)	AVIO website
Supplier Charter of Ethics (<i>Charte Etique Fournisseur</i>)	
Main policy contents	Based on the Parent Company's example, and in line with its high standards, Regulus has also adopted a Supplier Charter of Ethics (<i>Charte Etique Fournisseur</i>), which includes clauses on respecting human rights, anti-corruption code principles and the values of social responsibility and sustainable development in its contractual relations
Application	Regulus and value chain
Subject responsible for policy implementation	-
Regulatory references	-
Relevant stakeholders	All internal and external stakeholders of Regulus
Policy dissemination method(s)	Shared with suppliers
Anti-Corruption Code	
Main policy contents	The Code has the following objectives: <ul style="list-style-type: none"> - clearly state Avio's commitment to the fight against corruption and to ensuring compliance with anti-corruption laws; - set down principles for the detection and prevention of potential acts of corruption in order to protect the Group's integrity and reputation; - communicate clearly the anti-corruption principles to stakeholders both inside and outside the Group.
Application	AVIO Group and value chain
Subject responsible for policy implementation	Board of Directors

Regulatory references	<p>Organisation for Economic Cooperation and Development (OECD), "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", 1997;</p> <ul style="list-style-type: none"> - United Nations, "Convention Against Corruption", adopted with Resolution 58/4 on October 31, 2003; - Council of Europe, "Criminal Law Convention on Corruption" and "Civil Law Convention on Corruption", 1999; - Council of the European Union, "Framework Decision 2003/568/JHA of July 22, 2003 on combating corruption in the private sector", 2003; - The Wolfsberg Group, "Wolfsberg-Anti Corruption Guidance", 2011; - International Chamber of Commerce, "ICC Rules on Combating Corruption", 2011; - Transparency International, "Business Principles for Countering Bribery, a Multi-Stakeholder Initiative led by Transparency International", 2013; - G-20, "2015-16 G20 Anti-Corruption Implementation Plan", 2014; - Law No. 190 of November 6, 2012; - Articles 318 ("Bribery in the exercise of official duties"), 319 ("Bribery for an act contrary to official duties"), 319-ter ("Bribery in judicial proceedings"), and 322 ("Incitement to bribery") of the Penal Code. - Article No. 2635 of the Civil Code ("Corruption between private individuals"); - Legislative Decree No. 231 of June 8, 2001; - Law No. 179 of November 30, 2017; - Law No. 3 of January 9, 2019
Relevant stakeholders	All of Avio's internal and external stakeholders
Policy dissemination method(s)	AVIO website

ENVIRONMENTAL INFORMATION

2.1 EU TAXONOMY

In December 2019, the European Commission launched the European Green Deal, a strategic plan that sought to facilitate the European Union's ecological transition towards a sustainable economic model, with the objective of achieving climate neutrality by 2050. As part of this initiative, a regulatory framework was introduced to promote investments in environmentally sustainable activities, with a particular focus on reducing the environmental impact of economic activities.

Against this backdrop, EU Regulation 852/2020 (hereinafter also the "Taxonomy Regulation") established a classification system for economic activities based on environmental sustainability criteria. Its purpose is to provide a regulatory point of reference for assessing the compatibility of economic activities with the EU's ecological transition targets. This system is based on the statistical classification of economic activities conducted by companies within the European Community, identified through NACE codes (*Nomenclature statistique des Activités économiques dans la Communauté Européenne*), and defines the criteria for determining the sustainability of an activity in relation to the six environmental objectives outlined in the Taxonomy.

Specifically, the Taxonomy Regulation sets out six key environmental objectives against which economic activities are evaluated. Initially, Delegated Regulation (EU) 2139/2021, which came into force on January 1, 2022, introduced technical screening criteria for the first two environmental objectives:

1. Climate change mitigation
2. Climate change adaptation

Subsequently, Delegated Regulation (EU) 2486/2023, published on June 27, 2023 and entering into force on December 11, 2023, expanded the scope of the Taxonomy to include four additional environmental objectives, applicable from January 1, 2024:

3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

In addition, Delegated Regulation (EU) 2485/2023, published on June 27, 2023, entering into force on December 11, 2023, and also applicable from January 1, 2024, amended and supplemented EU Regulation 2139/2021 by introducing new economic activities under Objective "1) Climate Change Mitigation". Among these, the activity "3.21 Manufacturing of aircraft" was introduced, explicitly referring to NACE Code 30.3 "Manufacture of air and spacecraft and related machinery", thereby encompassing the Avio Group's core business.

The identification of environmentally sustainable activities follows a structured assessment process comprising multiple phases. An economic activity can be considered eligible if it falls within the activities included in the EU Taxonomy. Once eligibility is confirmed, the next step is to assess its alignment with the Taxonomy.

For an activity to be considered aligned, it must meet four criteria:

- a) Make a substantial contribution to one or more of the Taxonomy's six environmental objectives;
- b) Meet the technical screening criteria set out in the Taxonomy delegated acts, specific to each NACE code;
- c) Respect the "Do No Significant Harm" (DNSH) principle, ensuring that the activity does not cause significant harm to other environmental objectives;
- d) Respect compliance with the minimum social and governance safeguards, as required by the Taxonomy Regulation.

However, the Regulations provide that some economic activities, while not fully meeting the "substantial contribution" criterion, may still be considered as aligned "Transition" or "Enabling" activities.

"Transitional" activities are regulated under Article 10(2) of Regulation (EU) 2020/852 and refer to activities for which there are no technologically and economically feasible low-carbon alternatives. These activities, although not satisfying the "substantial contribution", may be considered "aligned" as they contribute to climate change mitigation by improving their environmental performance, in line with best practices in their sector.

It remains necessary, however, for the activity to meet the other criteria in the Regulation to ensure alignment. "Enabling" activities are governed by Article 16 of Regulation (EU) 2020/852, which states that an economic activity is considered to make a substantial contribution to one or more of the six environmental objectives if it directly enables other activities to make a substantial contribution, provided that: (i) it does not lead to

reliance on assets that compromise long-term environmental objectives, considering the economic lifespan of those assets; and (ii) it has a significant positive environmental impact, based on lifecycle considerations.

Both “transitional” and “enabling” activities are explicitly marked in the tables identifying the Turnover, CapEx and OpEx KPIs.

In addition, from 2024, with EU Regulation 2486/2023, non-financial undertakings (including the Avio Group) are now required to report the share of eligible activities and also the share of aligned or non-aligned activities with the Taxonomy criteria across all six environmental objectives, and must provide the following information:

- KPIs for Turnover (revenues), CapEx (capital expenditure) and OpEx (operating expenses), with a breakdown for each KPI showing the eligible or non-eligible proportion under the Taxonomy. For the eligible proportion, the value of aligned and non-aligned activities must be specified. Turnover and CapEx KPIs must be reconciled with the financial statement items;
- Details on KPI calculation methods, including assessment criteria, data sources and methodologies adopted, with greater transparency on financial statement references and any estimates used.
- A description, using the Taxonomy Regulation’s standard reporting tables, of the nature of eligible and aligned or non-aligned activities, including details on satisfaction of the criteria for an activity to be considered aligned, in addition to a specific identification of transitional and enabling activities.

The expansion of the scope of EU Taxonomy-eligible economic activities and the extension of reporting obligations required adjustments to economic activity assessment methodologies and data collection processes, ensuring compliance with the sustainability criteria set out in the Regulation.

2.1.1 Avio Group reporting

In line with the provisions of Legislative Decree No. 125/2024 of September 6, 2024, which transposed the Corporate Sustainability Disclosure Regulation (Directive 2464/2022), information on the EU Taxonomy has been included in the dedicated section of the 2024 Annual Financial Report. For the 2024 financial year, the EU Taxonomy analysis was conducted in accordance with the evolving regulatory framework outlined above. Avio Group’s main activities fall within the aerospace sector, identified by the code NACE C30.3 “Manufacture of air and spacecraft and related machinery”, previously commented upon. NACE Code C30.3 is referenced in economic activity 3.21 “Manufacturing of aircraft”, introduced by Regulation 2485/2023, and includes the activities of “manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade of aircraft and aircraft parts and equipment”.

For the purposes of EU Taxonomy reporting, the entities included within the consolidation scope are Avio S.p.A., Secosvim S.r.l., Spacelab S.p.A., Temis S.p.A., Avio France Sas, Avio Guyana Sas, Regulus Sa and Avio USA Inc. The disclosure includes both the share of eligible and non-eligible activities, in addition to the share of aligned and non-aligned activities. We note that the Avio Group does not operate in the nuclear energy or fossil gas sectors and is therefore not required to report activities in these areas, in accordance with Article 8, paragraphs 6 and 7 of the EU Delegated Regulation.

The identification and classification of the Avio Group’s activities in compliance with the EU Taxonomy was carried out through a structured process consisting of several phases:

2.1.1.1 Analysis of economic activities, identification of NACE code and EU Taxonomy code

The Avio Group has identified the eligible activities carried out, including through verification of correspondence with the NACE codes required by the regulations. As previously noted, the scope of the EU Taxonomy includes the aerospace sector among eligible activities for the first time. This makes it possible to classify Avio Group’s activities as “eligible”, requiring a further assessment of their “alignment” based on compliance with the criteria established by the Regulation, as described above.

The analysis of economic activities, along with the identification of the relevant NACE and EU Taxonomy codes, covered all activities included in the Turnover, CapEx and OpEx KPIs.

2.1.1.2 Assessment of substantial contribution

For each identified and “eligible” activity within the Taxonomy framework, its ability to make a substantial contribution to at least one of the six environmental objectives was assessed, in compliance with the technical screening criteria defined by the Regulation. As previously mentioned, certain economic activities meet the “substantial contribution” criterion if they are classified as “transitional” or “eligible” activities under the Regulation.

The Avio Group's activities, which fall under NACE Code 30.3 and economic activity 3.21 of the Taxonomy, are included within Objective 1) "Climate change mitigation" and are classified as "transitional" activities under the Regulation.

Given the significance of the value of activities related to NACE Code 30.3, we note that these activities include the manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade of aircraft and aircraft parts and equipment.

2.1.1.3 Application of the DNSH (Do No Significant Harm) principle

As required by the Taxonomy, the Do No Significant Harm (DNSH) principle guarantees that an activity, while contributing to one of the EU Taxonomy's environmental objectives, does not cause significant harm to any of the other environmental objectives. To assess compliance with this requirement, the Avio Group conducted an analysis based on the criteria set out in Annexes I and II of the Delegated Regulation (EU) 2139/2021 concerning the climate change mitigation and adaption objectives, in addition to Annexes I, II, III and IV of Delegated Regulation (EU) 2486/2023 regarding the objectives of water resource protection, circular economy, pollution prevention and biodiversity.

2.1.1.4 Verification of minimum safeguards

The minimum safeguards set out in the Taxonomy Regulation are designed to ensure that economic activities considered environmentally sustainable also comply with social and governance standards. As a result, it is a fundamental requirement for assessing the alignment of activities with the EU Taxonomy. These minimum safeguards are governed by Article 18 of Regulation 852/2020 and require compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Human rights

The Avio Group incorporates into its business processes principles and rules of conduct in line with the Universal Declaration of Human Rights, ILO Conventions, OECD Guidelines, UN Guiding Principles and the EU Charter of Fundamental Rights. The Avio Group ensures that its own activities and those of the supply chain comply with these principles by monitoring the value chain and promoting their dissemination among stakeholders. The Avio Group does not employ child labour, respecting local regulatory limits and requires suppliers and partners to adhere to the Code of Ethics, ensuring standards of integrity and social responsibility. It also participates in industry initiatives to foster synergies among companies, institutions and associations.

Business integrity and fair competition

The Avio Group operates with integrity and transparency, adopting zero tolerance toward corruption and anti-competitive practices. It implemented an Anti-Corruption Code based on impartiality, traceability and prevention of conflicts of interest. The Group prohibits anti-competitive practices and promotes fair competition, ensuring that the Code of Ethics is a reference for customers, suppliers and partners. It also protects intellectual property and regularly updates its policies to ensure ethical behaviour aligned with best practices.

Fiscal strategy

The Avio Group ensures responsible, transparent and compliant fiscal management with an approach based on fairness and integrity. The Group ensures the proper payment of taxes and adopts proactive tax risk management to prevent violations or misuse of regulatory provisions. Avio S.p.A. holds AEO certification and has had its tax procedures confirmed in 2024 by the Customs Agency. The Avio Group has implemented internal controls to prevent tax and financial crimes, ensuring regulatory compliance.

2.1.1.5 KPIs and reporting

In compliance with EU Regulation 2178/2021, the Avio Group determined the Key Performance Indicators (KPIs) related to activities aligned with the EU Taxonomy. Reporting covers three indicators: Turnover, capital

expenditure (CapEx) and operating expenditure (OpEx). The goal is to provide a clear and transparent representation of the proportion of business activities that contribute to the ecological transition, in line with the environmental sustainability criteria established by EU regulations. With the regulatory updates introduced by Delegated Regulations (EU) 2485/2023 and 2486/2023, the KPI calculation methodology was adjusted compared to previous reporting periods. Specifically, Annex V of Regulation 2486/2023 amended Annex I of Regulation 2178/2021, introducing a more detailed breakdown of capital expenditure (CapEx) and operating expenditure (OpEx) for each environmental objective. In addition, it was specified that non-financial undertakings must identify and report activities that are not eligible under the EU Taxonomy, indicating the proportion of these activities within their respective KPIs.

Below is a detailed breakdown of the KPIs calculated by the Avio Group, in compliance with the current regulations.

Turnover

The Turnover KPI measures the proportion of turnover generated from EU Taxonomy-aligned activities relative to the Avio Group's total turnover. The calculation is based on the ratio of turnover generated from "Taxonomy-aligned" activities to total consolidated turnover, as reported in the Consolidated Income Statement, in compliance with IAS 1.82(a).

The numerator includes turnover from products and projects, including intangible assets, associated with the activities identified as eligible or aligned. The denominator refers to the undertaking's total turnover, ensuring reconciliation with the Group's annual financial report.

The expansion of the EU Taxonomy introduced new categories of eligible economic activities, allowing some of the Avio Group's activities to be included in the reporting scope for the first time. Consequently, the classification of turnover was updated to reflect the new regulatory framework.

CapEx

The CapEx KPI measures the proportion of capital investments allocated to EU Taxonomy-aligned activities relative to the company's total capital expenditure. The numerator includes increases in tangible and intangible assets that meet specific conditions, including investments directly linked to eligible activities, investments aimed at expanding those activities, and purchases of goods and services that contribute to reducing environmental impact, such as low-carbon measures or initiatives to cut greenhouse gas (GHG) emissions.

The denominator considers the total increase in assets recorded during the financial year, before amortisation, depreciations or revaluations, excluding fair value adjustments. Capital expenditures are calculated in compliance with international accounting standards IAS and IFRS, including items such as: IAS 16 "Property, plant and equipment", IAS 38 "Intangible assets", IAS 40 "Investment property", IFRS 16 "Leases"

The regulatory update introduced by Regulation 2486/2023 increased the level of detail required for capital expenditure reporting, which must now be allocated to individual environmental objectives within the Taxonomy. As a result, the Avio Group implemented a classification process that enables precise monitoring and reporting of each investment's contribution to the ecological transition.

OpEx

The OpEx KPI measures the proportion of operating expenditure allocated to EU Taxonomy-aligned activities relative to the company's total operating expenditure. The numerator includes operating expenditure that meets regulatory criteria, including costs directly associated with activities classified as eligible and purchases of goods and services that promote environmental sustainability, such as to improve energy efficiency.

The denominator includes the company's total operating expenditure, including non-capitalised direct costs for research and development, maintenance and repair of plants and machinery and expenses necessary for the effective operation of corporate assets.

Similar to CapEx, Regulation 2486/2023 introduced a requirement for breaking down operating expenditure according to each environmental objective of the EU Taxonomy. As a result, the Avio Group has updated its reporting system, ensuring that expenditure is classified based on its environmental contribution.

The entire process of identifying, classifying and reporting activities in accordance with the EU Taxonomy is managed systematically with the involvement of relevant corporate functions, ensuring compliance with regulatory and accounting criteria. The monitoring and verification of EU Taxonomy alignment has been integrated into compliance and internal control processes, ensuring consistency and transparency in the information provided to the market and regulators.

In the annexes to this Report, the results related to eligibility/alignment according to the regulatory framework to date are reported, including to the extent provided the comparative with 2023 data. The table below illustrates the main KPIs.

AVIO GROUP KEY PERFORMANCE INDICATOR (KPI) MODELS

The Model prepared consistent with Annex 5, note (c) of Regulation 2486/2023 is shown.

	Quota di Ricavi/Ricavi totali	
	Allineata alla Tassonomia per obiettivo	Ammissibile (non allineata) alla Tassonomia per obiettivo
CCM	0,00%	98,70%
CCA	0,00%	0,00%
WTR	0,00%	0,00%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

	Quota di CapEx/CapEx totali	
	Allineata alla Tassonomia per obiettivo	Ammissibile (non allineata) alla Tassonomia per obiettivo
CCM	1,49%	71,39%
CCA	0,00%	0,00%
WTR	0,00%	0,00%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

	Quota di OpEx/OpEx totali	
	Allineata alla Tassonomia per obiettivo	Ammissibile (non allineata) alla Tassonomia per obiettivo
CCM	6,04%	93,96%
CCA	0,00%	0,00%
WTR	0,00%	0,00%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

2.2 ESRS E1 Climate Change

2.2.1 Governance

ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes

The Avio Group has incentive systems linked to improvements in environmental impacts; however, at present they are not specifically related to climate change.

For information on incentive systems related to other sustainability matters, please refer to the ESRS 2 GOV-3 section.

2.2.2 Strategy

E1-1 – Transition plan for climate change mitigation

The Avio Group has set itself the goal of adopting an energy transition plan to mitigate climate change; in addition, Avio S.p.A. places constant environmental protection at the basis of its management and development strategies and maintains a specific commitment aimed at protecting the environment, including the prevention of pollution and the pursuit of continuous improvement of its environmental performance.

The AVIO Group operates in multiple countries, each with unique characteristics that may require the development of multiple climate change mitigation action plans. These plans will be tailored to the availability of energy sources and partnerships at different sites, particularly those with major industrial activities, such as Colleferro and Karou. In terms of the Colleferro facility, Avio has a 40% holding in the adjacent company Termica Colleferro, whose core business is the generation of electricity and thermal energy for the facility. This is achieved through an on-site methane-fuelled cogeneration plant, which ensures a continuous energy supply, necessary for processing aerospace propulsion explosives. As a result, the development policy for the GHG emission reduction transition plan will need to be managed in synergy with Termica Colleferro and is expected to be finalised by 2026, along with its implementation timeline based on the decarbonization levers that will be identified.

At the same time, Avio shares the position of the IPCC, recognising sustainable forest management as one of the most effective tools for mitigating emissions, thanks to its role in carbon absorption (carbon sink) and biomass stock storage. Therefore, Avio, through its subsidiary SE.Co.SV.IM, carried out two specific studies to evaluate possible CO₂ offsets through green management on its territory. The first, “analysis of carbon removals in the SE.CO.SV.IM – AVIO Group’s area (Colleferro)”, sought to measure carbon absorption within Avio’s operational boundaries, in compliance with ISO 14064-1 (Greenhouse Gas Inventory). This study focused on Category 1 reporting, which requires measurement of direct emissions and removals related to land use, changes in land, and forest areas, following IPCC (Intergovernmental Panel on Climate Change) guidelines. The second, “proposals for forest management and reforestation for carbon sequestration and climate adaptation on Avio-Se.Co.Sv.Im-owned land”, focused on identifying improvement strategies to increase CO₂ absorption by the company’s forests.

In alignment with the Paris Agreement, Avio is committed to developing a medium-to-long-term decarbonisation plan that involves the progressive reduction of CO₂ and other greenhouse gas emissions generated by its business activities. AVIO recognises the significance of adopting a strategic and systematic approach to the management of risks and opportunities linked to climate change. In addition to its commitment to mitigate the negative impacts of its own business, Avio has taken it upon itself to identify and adopt the best strategies to reduce risks and seize the new opportunities that will arise in this transitional environment. Avio will measure the degree of offsetting through carbon absorption and sustainable forest management of green areas within its Colleferro area, which is particularly extensive and has already been analysed with reference to ISO 14064-1.

Its greenhouse gas emissions reduction strategy will be based on the mapping of CO₂ and other greenhouse gas emissions along the entire value chain, from distribution to the consumption of company products, in line with European regulations on reporting. On the basis of this mapping, Avio will initiate a process to define concrete and specific targets for reducing emissions, identifying the most effective technologies and solutions to achieve them. In this regard, the Company will invest in innovative technologies and sustainable solutions to optimise energy consumption and improve the performance of production processes. The Company will also work on plants that produce atmospheric emissions to increase their efficiency, and new ones will be installed based on the most modern criteria. Decarbonization will be the subject of a long-term plan designed to both improve energy supply sources with lower CO₂ emissions. Responsible natural resource management will also be promoted through reduced water use, improved waste management, and limited use of environmentally

harmful substances and preparations. This commitment is not only limited to the company. Avio believes collaboration at every level is essential in tackling the global challenge of climate change. Once the plans and timelines for the transition are defined, a budget will be allocated and the necessary investments will be identified.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Following the Double Materiality analysis, the AVIO Group has identified the following impacts, risks and opportunities related to climate change:

Positive impacts	Negative impacts	Physical risks	Opportunities
Development of a monitoring and consumption reduction plan through renewable energy procurement (<i>potential, direct</i>)	<ul style="list-style-type: none"> - Energy consumption from non-renewable sources (actual, direct impact) - Energy consumption and emissions resulting from productive activities, product, use, and land and air transport (Scope 3) (<i>actual, direct, and indirect impact</i>) 	<ul style="list-style-type: none"> - Physical risks associated with increased economic costs and financial losses due to the increased frequency of extreme weather events related to climate change 	<ul style="list-style-type: none"> - Ease of energy procurement for Avio thanks to Termica Colleferro's activities

By mapping risks related to climate change in the Company's ERM (Enterprise Risk Management), and through a structured process of discussion with the relevant internal management, Avio has identified the risks related to the potential impacts of climate change.

The "Physical risks associated with the rise in economic costs and financial losses due to the increased frequency of extreme weather events related to climate change" is significant because certain processing facilities require significant thermal stability to perform delicate processes. Changes in external climate conditions could affect energy consumption and have a significant economic impact.

AVIO has in addition conducted an integrated context analysis in accordance with ISO 14001 and ISO 45001, identifying the main environmental and safety-related factors and events that could impact the Company's activities and/or performance. The analysis identifies risks, threats, opportunities and the associated countermeasures. This study, which is regularly updated each year in compliance with the existing certifications for the Environmental Management System and Health and Safety Systems for workplaces and major accident hazards, also assesses the impacts of extreme natural events and climate change risks. This study is carried out at the Colleferro, Airola and Sardinia sites. Given the sensitivity of explosive-related operations, special attention is paid to assessing the risk of work-related stress, which affects all categories of employees.

The context analysis demonstrates that the preventive and compensatory measures adopted within the health, safety and environmental management systems enable effective risk management for extreme natural events, to the extent statistically possible. For example, the risk of plant shutdowns or product losses due to extreme weather events was evaluated under the following scenarios: climate-induced fires, earthquakes, flooding and tornadoes. A risk assessment of seismic events was conducted, which found that the likelihood of a major accident and/or operational shutdown is very low due to the way active products are handled and stored. In addition, a plan is underway to improve the structural resilience of buildings. With regard to fires, the local area is patrolled 24 hours a day. Therefore, the probability of an event causing damage to plants and/or products is deemed remote, given that prompt intervention would prevent a fire from spreading to buildings. The likelihood of flooding and/or tornadoes causing significant damage to strategic facilities, equipment or business activities was assessed as remote due to the probability of occurrence and the structural resilience of Top Event facilities. Additionally, AVIO has an Internal Emergency Plan in place, which has assessed all of the above scenarios and includes appropriate risk mitigation and resilience strategies.

As part of its structured approach to sustainability, the Group will also periodically assess the potential need to further develop its analysis of material impacts and risks. At the same time, the Group closely monitors developments in sustainability regulations, ensuring it strictly complies with new regulatory and legislative transitions introduced by legislators.

For further information regarding relevant impacts, risks and opportunities and their interaction with the strategy and business model, see the section on ESRS 2 SBM-3.

ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities

AVIO is fitted with metering devices that allow it to monitor consumption on an ongoing basis and evaluate the economic repercussions of any abrupt spikes in absorption caused by external weather conditions. In particular, AVIO has analysed how its business operations may be exposed to climate-related risks, taking into consideration, for each identified risk, the probability of occurrence, the potential impact on the company and the time horizon. In addition, AVIO identified physical climate-related risks by conducting an analysis of its ERM, its production processes and its value chain. For further details on the processes for identifying and assessing material impacts, risks and opportunities, please refer to the ESRS 2 IRO-1 section.

Additionally, AVIO has developed a business risk plan, which includes an assessment of scenarios related to climate change, identifying two major risks in particular:

- changes in external climate conditions, which could impact energy consumption and have a significant economic impact, especially considering rising energy prices. This is relevant as certain production facilities require strict thermal stability for delicate processes;
- risk of plant shutdowns or product losses due to extreme weather events.

To date, the Company has not identified assets or business activities that are incompatible with the transition to a climate-neutral economy or that require significant efforts to align with such a transition. However, the Company's core business inherently involves adopting significant efforts to be compatible with the transition to a climate-neutral economy. In this regard, AVIO is increasingly adopting technical improvements that can help reduce the greenhouse gas emissions associated with its products.

2.2.2 Management of impacts, risks and opportunities

E1-2 – Policies related to climate change mitigation and adaptation

The AVIO Group has had an Environmental Policy in place for several years. In addition to reaffirming its unwavering focus on compliance with all applicable legislative and other regulatory requirements, the Policy formalises the commitment to continuously improving its environmental performance while minimising the impact of its production site and facilities. In particular, environmental protection at AVIO means not polluting, constantly optimising the use of natural resources and developing products that are increasingly environmentally friendly. The Policy is an essential aspect of the Environmental Management System (EMS).

Likewise, Regulus makes explicit in its Charter of Ethics its commitment to pursuing eco-efficiency. The French company recognises its responsibility to the local community as regards environmental protection and expresses its willingness to orientate its choices towards reducing its environmental footprint, while simultaneously complying with applicable environmental regulations and provisions.

For more information regarding AVIO's Environmental Policy, please refer to the section on ESRS 2 MDR-P. Regarding energy consumption and emissions, this Policy refers to the impacts, risks and opportunities identified in section E1 ESRS 2 SBM-3.

E1-3 – Actions and resources in relation to climate change policies

With regard to climate change, the Company invests in innovative technologies and sustainable solutions to optimise energy consumption and improve the performance of production processes. The Company also works on plants that produce atmospheric emissions to increase their efficiency, and new ones will be installed based on the most modern criteria. Responsible natural resource management is also promoted through reduced water use, improved waste management, and limited use of environmentally harmful substances and preparations. AVIO's commitment extends beyond the company itself, as it believes collaboration at every level is essential in tackling the global challenge of climate change. As such, it is committed to involving employees and raising their awareness of sustainability matters, so as to promote a corporate culture founded on responsibility and a commitment to environmental protection, and collaborating with institutions, associations and other companies to find common solutions and develop best practices.

Specifically, the Company undertakes various actions related to climate change policies, including:

- installation of continuous energy consumption measurement and monitoring systems in key production facilities at AVIO S.p.A.'s Colleferro site, to provide an accurate mapping of industrial energy use;

- integrated context analysis in compliance with ISO 14001 (Environmental Management) and ISO 45001 (Health and Safety concerning workplaces and major accident hazards), completed in 2024 and covering the Colleferro, Airola and Perdasdefogu sites.

In particular, the Environmental Management System, which is continuous in nature and refers to the perimeter of Colleferro and Airola.

To support the actions of the Environment Manager/RDGA, Senior Management has created a Health, Safety and Environment (HSE) Department, which carries out its role by coordinating a structure that includes (a) Health & Safety (HS); (b) Environment and Management Systems; and (c) Seveso Law Compliance.

The financial resources to be allocated to the environmental improvement programme are determined at the budget stage at the beginning of the year.

In compliance with the general principles set out in the Group's Code of Ethics, Regulus has adopted a Quality, Occupational Health and Safety and Environmental Policy and a Quality, Safety, and Environment Manual which, with as regards environmental management, is inspired by the provisions of the international standard UNI EN ISO 14000. The Company has therefore established a dedicated function of experts who are delegated to manage and oversee environmental areas. As per local legislation, Regulus prepares and sends an annual Directors' Report environmental and energy management to the DGTM (Direction Générale des Territoires et de la MER, formerly DEAL) authority, which then audits the French company on specific environmental areas. In this regard, Regulus has undertaken to intensify its monitoring indicators, thereby further strengthening its environmental performance monitoring system.

At the same time, AVIO does not categorise its climate change mitigation actions by decarbonisation lever, including nature-based solutions. Additionally, when describing the outcomes of climate change mitigation actions, GHG emission reductions achieved or projected are not included. Finally, the Company does not explain whether and to what extent its ability to implement actions depends on the availability and allocation of resources.

Additionally, among the climate change initiatives carried out in 2024, we note the following:

- Enhancement of the energy consumption monitoring system to provide more granular details across AVIO S.p.A. buildings;
- Installation of electric charging stations for executive vehicles;
- Energy efficiency improvements through the installation of LED lighting.

The above-mentioned actions are not the subject of specifically trackable and directly certifiable CAPEX/OPEX, but rather are included within the Group's general CAPEX/OPEX. In addition, the amount of CAPEX/OPEX related to actions implemented in 2024 is not significant compared to the total.

2.2.3 Metrics and targets

E1-4 - Targets related to climate change mitigation and adaptation

The sustainability plan is one of the main tools through which companies manifest their commitment to integrating sustainability to their business. The sustainability plan, therefore, is critical in defining corporate strategies in ESG terms, creating a significant impact both from the perspective of compliance with evolving European regulations and in reputational terms. Therefore, this also creates a significant impact toward investors and toward all stakeholders, both internal and external. The Sustainability Plan is the operational tool that translates the Sustainability Policy into concrete actions. The Plan identifies the impacts, goals, actions and activities necessary to put in place the tasks identified in the Sustainability Policy; the latter was developed according to an impact logic. Indeed, the focus is on the issues on which Avio can make a concrete and significant contribution to sustainable development. Specific courses of action are therefore defined aimed at sustaining and enhancing the business as well as raising Avio's fundamental sustainability standards. The sustainability plan is broken down into targets, actions, time frames, responsibilities and allocated resources. The Plan has also been divided into Environmental, Social & Governance. Many of the initiatives/activities contained in the Plan are described in the different sections of the Sustainability report.

The AVIO Group issues and adopts an improvement programme which constitutes the framework for defining the organisation's goals, targets and, therefore, action to ensure ongoing improvement in environmental performance. In line with its production processes, the Company has established a number of qualitative

improvement targets relating to its main environmental impacts, with the intention of governing and minimising them. The goals defined are as follows:

- improvements to facilities producing atmospheric emissions;
- improvement in energy consumption management;
- improved efficiency of the Environmental Management System.

In addition, AVIO has set various climate change-related targets, further broken down into specific sub-targets to guide the Group's actions: The Sustainability Plan is integrated with the Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company considered it appropriate not to disclose it. In this reporting, we therefore disclose the Plan's macro area of intervention: achieving climate neutrality.

Regulus has set a goal to gain ISO 14001 certification in the coming years. In general terms, the Group is currently in the process of setting specific GHG emission reduction targets and/or other quantitative objectives for managing material climate-related impacts, risks and opportunities, such as the deployment of renewable energy, energy efficiency, climate change adaption, and the mitigation of physical or transition risks. The Group is currently in the process of developing specific targets related to the planned decarbonisation levers and their overall quantitative contributions to achieving GHG emission reduction targets.

E1-5 - Energy consumption and mix

Energy provision to the Colleferro site includes electricity, thermal energy, and fuel consumption for the company vehicle fleets. The electricity and steam consumed are supplied by the nearby cogeneration plant of the company Termica Colleferro. In compliance with the requirements of Legislative Decree No. 102/2014 in Italy in 2017 and with those of Law 10/91, energy audits were conducted, highlighting a number of possible action areas to improve the Company's energy performance. The Colleferro Thermal Power Plant operates exclusively on methane combustion. As such it is consistent with the recent guidelines of the European Commission, which is assessing the options for including this fuel among "green" sources.

Also included in total consumption are French Guiana's energy carriers, which refer to electricity and diesel fuel used for company fleets and a Group generator.

By 2024, 100% of the Group's energy consumption is from non-renewable sources.

Energy consumption and mix		
Energy consumption	Unit	2024
Total energy consumption from fossil sources	MWh	84,258
Share of fossil sources in total energy consumption	%	100%
Undertakings operating in high climate impact sectors further disaggregate their total energy consumption from fossil sources as follows:		
Coal and coal-based fuel consumption	MWh	-
Fuel consumption from crude oil and petroleum products	MWh	746.24
Fuel consumption from natural gas	MWh	-
Fuel consumption from other non-renewable sources	MWh	8.65
Consumption of purchased or acquired electricity, heat, steam or cooling from fossil sources	MWh	83,503

Total renewable energy consumption		
Energy consumption	Unit	2024
Total renewable energy consumption	MWh	0.5
Share of renewable sources in total energy consumption	%	0.0006%
Fuel consumption from renewable sources including biomass (also comprising industrial and	MWh	0.5

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municipal waste of biologic origin), biofuels, biogas, and hydrogen from renewable sources		
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	-
Consumption of self-generated non-fuel renewable energy	MWh	-
Total renewable energy consumption	MWh	0.5

Energy consumption from nuclear sources		
Energy consumption	Unit	2024
Total consumption from nuclear sources	MWh	-
Share of consumption from nuclear sources in total energy consumption	%	-

Total energy consumption		
Energy consumption	Unit	2024
Total energy consumption	MWh	84,258
Total energy consumption from fossil sources	MWh	84,257.9
Total consumption from nuclear sources	MWh	-
Total renewable energy consumption	MWh	0.5

Energy production		
Energy production	Unit	2024
Non-renewable energy production	MWh	-
Renewable energy production	MWh	-

The AVIO Group operates in the manufacturing sector, and therefore within a high environmental impact.

Energy intensity in high-impact sectors	Unit	2024
Total energy consumption from activities in high climate impact sectors	MWh	84,258
Net revenue from activities in high climate impact sectors	Euro thousands	480,420⁶⁰
Energy intensity in high climate impact sectors	MWh/€ thousands	0.17

⁶⁰ The figure coincides with the total revenues in the Consolidated Income Statement, to which reference should be made at page 205 of this document.

E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions

Scope 1 emissions were 1,262 tCO₂e, Scope 2-Location based emissions 25.24 tCO₂e, Scope 2-Market based emissions 41.45 tCO₂e, and Scope 3 emissions 565.296tCO₂e. Specific reduction targets are being developed.

Scope 1 GHG emissions				
GHG emissions	Unit	2024		
		Consolidated Group	Entities under operational control	Total
Total Scope 1 GHG emissions	tCO₂e	1,262	-	1,262
Scope 1 GHG emissions from regulated emissions trading schemes	tCO ₂ e	-	-	-
% of Scope 1 GHG emissions from regulated emissions trading schemes	%	-	-	-

Scope 2 GHG emissions				
GHG emissions	Unit	2024		
		Consolidated Group	Entities under operational control	Total
Total Scope 2 GHG emissions (Location-based)	tCO₂e	25.24	-	25.24
Total Scope 2 GHG emissions (Market-based)	tCO₂e	41.45	-	41.45
Total GHG emissions Scope 1 + Scope 2 (Location-based)	tCO₂e	1,287.24		1,287.24
Total GHG emissions Scope 1 + Scope 2 (Market-based)	tCO₂e	1,303.45		1,303.45

Scope 3 GHG emissions				
GHG emissions	Unit	2024	Conversion factor	Scope
Total Scope 3 GHG emissions	tCO ₂ e	565,296		
Category 1 Purchased goods and services	tCO ₂ e	441,198	Cradle-to-gate data extracted from <i>Exiobase</i>	Consolidated scope
Category 2 Capital goods	tCO ₂ e	39,575	Cradle-to-gate data extracted from <i>Exiobase</i>	Consolidated scope
Category 3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)	tCO ₂ e	-		

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Category 4 Upstream transportation and distribution	tCO ₂ e	75,881	Technical Guidance for Calculating Scope 3 Emissions (GHG Protocol)	DB suppliers (Consolidated scope)
Category 5 Waste generated in operations	tCO ₂ e	134	Technical Guidance for Calculating Scope 3 Emissions (GHG Protocol)	Consolidated scope
Category 6 Business travel	tCO ₂ e	1,521	In-house Travel Agency	Consolidated scope
Category 7 - Employee commuting	tCO ₂ e	6,494	UK Government GHG Conversion Factors for Company Reporting - Business travel - land 2024	Consolidated scope
Category 8 Upstream leased assets	tCO ₂ e	493	Factory-supplied gCO ₂ e/km detail by model	Consolidated scope
Category 9 Downstream transportation and distribution	tCO ₂ e	-		
Category 10 Processing of sold products	tCO ₂ e	-		
Category 11 Use of sold products	tCO ₂ e	-		
Category 12 End-of-life treatment of sold products	tCO ₂ e	-		
Category 13 Downstream leased assets	tCO ₂ e	-		
Category 14 Franchises	tCO ₂ e	-		
Category 15 Investments	tCO ₂ e	-		
Total GHG emissions Scope 1 + Scope 2 (Location-based) + Scope 3	tCO₂e	566,583		
Total GHG emissions Scope 1 + Scope 2 (Market-based)	tCO₂e	566,599		

GHG intensity		
GHG intensity	Unit	2024
Net revenue	Euro thousands	480,420 ⁶⁰
GHG Intensity (Scope 1+2 Location-based+Scope 3)	tCO ₂ e / € thousands	1.18
GHG intensity (Scope 1+2 Market-based+Scope 3)	tCO ₂ e / € thousands	1.18

E1-7 - GHG removals and GHG mitigation projects financed through carbon credits

To date, the AVIO Group does not implement activities aimed at permanently absorbing or actively supporting the absorption of greenhouse gas (GHG) emissions from the atmosphere. However, AVIO has set itself the goal of analysing and evaluating these initiatives following the completion of systematic and detailed monitoring activities of its consumption and environmental footprint, so that it can identify and prioritize areas of intervention in the environmental and energy fields.

E1-8 - Internal carbon pricing

AVIO does not currently apply internal carbon pricing systems. As with the matter of the previous section, the Group aims to develop its efforts in this regard downstream of the activities necessary to complete the timely monitoring of its consumption and environmental footprint.

3.1 ESRS E2 Pollution

3.1.1 Management of impacts, risks and opportunities

ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities linked to pollution

Positive impacts	Negative impacts	Risks	Opportunities
-	- Use and potential release of pollutants during the production process (potential, direct impact)	- Risk of potential costs arising from penalties for non-compliance with environmental regulations (remediation)	-

As part of the identification process for impacts, risks and opportunities related to the topic of "Pollution", the Company considered the location of its sites, its production activities and its entire value chain. In addition, context analysis was carried out under the Environment Management Systems and OHS-MAP, in accordance with ISO 14001 and ISO 45001, respectively, in which context factors are considered and, for each, elements with possible influence. The negative impact found to be significant under the double materiality analysis was taken into account against the use of substances of concern within some of Avio Group's production.

For all the sites of Avio S.p.A., a qualitative-quantitative analysis is carried out with a score assigned to the different criteria that ultimately reports whether there is a risk, threat or opportunity, from which follows an assessment of the current level of control and any further actions to be implemented. In addition, Avio prepares and reviews the Safety Report every five years, pursuant to Articles 15 and 16 of Leg. Decree 105/15 and Seveso *Ter*, in which accident scenarios are quantitatively analysed for both safety and environmental aspects and prevention measures are reported.

Regarding the special activities related to Vega-C, Avio carried out an Environmental Impact Assessment (VINCA) for environmental protection and analysis of the impacts resulting from the test, being in close proximity to a SIC (Site of community importance) area, demonstrating with advanced modelling that there is no risk of permanent damage to the environment. This modelling was validated during the first test campaign of the above engine by field analysis of all environmental matrices, before, during and post-test execution, confirming the absence of risks. It is also appropriate to consider the indirect positive impact of launch services in fostering the development of the space economy and, with it, the sending into orbit of Earth observation satellites dedicated to pollution prevention and environmental monitoring, such as SENTINELS.

For the identification of IROs related to the topic of "Pollution", the AVIO Group considered the industrial district in Colleferro, owned by Se.Co.Sv.Im.. This area was labelled the River Sacco Basin Site of National Interest in November 2016. Soil, subsoil, and groundwater monitoring and remediation activities in this area are managed by Se.Co.Sv.Im., the AVIO Group's real estate company. Having acquired the Colleferro industrial site in the mid-1990s, the Company has inherited problems caused by its previous owner. These pollution incidents have been the subject of rulings to which Se.Co.Sv.Im. is obviously not party. Despite not being responsible for the pollution, the Company has made significant financial investments to carry out remediation works, which are typically the legal obligation of the proprietary owners.

The main remediation works carried out by Se.Co.Sv.Im. are summarised below:

- safety works on the Pozzolana Quarry site;
- ARPA 1 site remediation works;
- construction of a permanent storage site for remediation of the ARPA 1 and Benzoino sites;
- safety works at the ARPA 2 site (by the Lazio Region, started in 2019 and still in progress);
- emergency safety works and remediation of aquifers using hydraulic dam, equipped with specific pre-treatment plants;
- obtaining approval decrees for reclamation projects for six hot-spots of land within proprietary areas;
- Commencement of the first remediation in 2024 and specifically a permanent safety site (MISP) APRA 2 project was established under the direction of the Lazio Region, on land owned by Se.Co.Sv.Im. The final remediation projects for hot-spot areas on land owned by the company have been approved and the closure request for pending proceedings – which found that no limits were exceeded – has been submitted, allowing the land's return to its rightful uses. This initiative is primarily linked to the MISP ARPA 2 project timeline, with completion scheduled for 2027.

For this CSRD reporting year, the identification of stakeholders for the purpose of stakeholder engagement took into account stakeholders' knowledge of ESG issues for the purpose of giving a timely assessment of the issues covered. Local communities were not directly involved in the stakeholder engagement process for this reporting year, but their perspective was taken into account during the company's internal assessments.

E2-1 - Policies related to pollution

Through its Environmental Policy and Environmental Management System in compliance with ISO 14001, both already described in the section relating to ESRS E1, the AVIO Group is committed to improving facilities that generate atmospheric emissions and rationalising the use of environmentally hazardous and harmful substances and preparations. In addition, the Company has a major accident hazard prevention policy in accordance with Legislative Decree No. 105/15 as amended (Seveso Ter). This policy, part of the SSI-PRI Management System, declares the actions and objectives to protect the environment and safety, maximizing prevention against the occurrence of possible accidental scenarios related to work activities, which may result in pollution. The site affected by this Policy is Colleferro, involving its local community and relevant authorities, including the Regional Technical Committee (RTC).

Specifically, through the Environmental Policy, AVIO is committed to the rationalisation of the use of environmentally hazardous and harmful substances and preparations. It should be pointed out that the nature of the product, as space thrusters subject to qualification by an external competent authority, has very stringent constraints on any change of raw materials. The use of SVHC substances is, in any case, reduced to the essential minimum, in compliance with Regulation (EC) No. 1907/2006 as amended (REACH) and Regulation (EC) No. 1272/2008 as amended (CLP). The facilities in which they are used are constantly monitored and all risks assessed. Where technically and programmatically feasible, AVIO pursues research for the replacement of the residual SVHC substances used, in cooperation with industry partners and ESA, but has no authority to act independently, under penalty of forfeiting the launcher's qualification and being banned from flight.

In addition, pursuant to Legislative Decree 105/15 as amended, Seveso Ter, AVIO has the obligation of total and complete management and tracking of all hazardous materials and is subject to the control of this provision, through inspections of the competent authorities, pursuant to Article 27 of the afore-mentioned decree. Legs. Decree 105/15. AVIO prepares and reviews the Safety Report every five years, pursuant to Articles 15 and 16 of the above regulation, in which accident scenarios are quantitatively analysed for both safety and environmental aspects and prevention measures are reported.

Finally, AVIO has an Internal Emergency Plan (IEP), which deals with both safety and major accident and environmental emergency response. Operational and even auxiliary personnel are trained regularly, complying with Seveso's quarterly training requirement, and periodic drills are carried out to verify the effectiveness of the IEP in various accident scenarios. In addition, as it falls under the upper threshold, AVIO also has the obligation of an External Emergency Plan (EEP), under the jurisdiction of the relevant prefecture, with the support of the Avio Manager, the latest edition of which was issued by prefectural decree in December 2024. For more information on the Environmental Policy, please refer to the section on ESRS 2 MDR-P.

E2-2 - Actions and resources related to pollution

In addition to the aforementioned soil remediation activities undertaken by Se.Co.Sv.Im, to date the AVIO Group has implemented the following pollution-related actions:

- Issuance and review of the Safety Report (SR) pursuant to Articles 15 and 16 of Legislative Decree No. 105/15 as amended (Seveso Ter). The Safety Report, reviewed every five years, analyses qualitatively and quantitatively industrial processes and accident scenarios for both safety and environmental aspects and reports prevention measures. The relevant Public Administration exercises the function of control body through the process for the approval of the SR and the inspection of the mandatory Management System, according to Article 27.
- Internal Emergency Plan (IEP) that includes the environmental area and emergency response to any accident, including major accidents. The IEP puts in place all measures for immediate action in the event of an industrial accident, both of a major event under Seveso Ter and of an environmental event, with the aim of minimizing any impacts and maximizing environmental protection. The stakeholders of the IEP are the Municipalities of Colleferro, Segni and Ardena, the National Fire Department, the CTR, the Prefecture, the Lazio Region, the Civil Protection, ARPA, the Metropolitan City of Rome, and the ASL.

Pollution-related actions concern only AVIO Group companies and not its value chain.

Avio's 2024 Capex and Opex are not structured to allow identification of precise and exclusive interventions concerning benefits on pollution risk mitigation. New technologies, in fact, to which most Capex investments are linked, also involve new facilities for emission abatements with BAT, which, however, are an integral part of the whole procurement and cannot be decoupled from it for specific reporting. Their effects will be seen in the operation of the reduction impacts when they are put into operation. Consistent with that stated in its Environmental Policy, Major Accident Hazard Prevention Policy and Sustainability Plan, Avio pursues as its primary goal the reduction of the environmental impacts of its industrial activities as an indirect positive effect of improving production processes. This achieves sustainable industrial development that will lead Avio to new, more efficient, state-of-the-art plant arrangements over the next few years.

3.1.2 Metrics and targets

E2-3 - Targets related to pollution

As previously indicated, the Sustainability Plan is integrated with the Group's Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company has deemed it appropriate not to disclose it. In this reporting, we therefore disclose the Plan's macro areas of intervention. The AVIO Group has set as a high-level target the rationalization of the use of environmentally hazardous and harmful substances and preparations. AVIO always works in the prevention and control of air pollutants related to industrial production, through the adoption of BAT where possible and the implementation of the Environmental Management System and Safety Report in accordance with Seveso Ter. In addition - with the Company always working towards the prevention and control of water emission pollutants related to industrial production - industrial effluents are treated by a sewage treatment plant operated by the Colleferro Municipality Consortium Company, which is subject to Integrated Environmental Authorisation (IEA) and authorized through Regional regulation (PAUR).

SVHC substances are kept under control by the environment and Seveso management system. The goal is minimization of their use, limiting them only to must-have applications and the absence of alternative materials, for space qualification and/or thruster performance. New systems are being developed to reduce the use of SHC and SVHC materials, such as the MPGE thruster for upper stages.

Group processes are managed and monitored by the functions that have day-to-day responsibility for ensuring compliance with our policies and applicable regulations. Environmental aspects are also managed on an ongoing basis through ISO 14001 certification.

E2-4 - Pollution of air, water and soil

Given the Group's type of business and following the double materiality analysis, water and air pollution were not found to be significant. Regarding the "*Risk of possible costs from penalties due to non-compliance with environmental regulations (remediation) (Secosvim)*", reference can be made to the detail provided in chapter *E4 Biodiversity and Ecosystems*. It is also specified that the AVIO Group adopted the Underground Water and Soil Characterization Plan in January 2018, which provides for soil monitoring on a 10-year basis.

E2-5 - Substances of concern and substances of very high concern

During 2024, there were 2,029,916 kg of potentially hazardous substances generated, used during production or purchased.

Potentially hazardous substances generated, used during production, or purchased	UNIT	2024
SUPERCHLOR 15-PT5	kg	2,144
HexBond 122	kg	1,820
Copper chromite	kg	706
METHYL BAPO	kg	719
CHEMOSIL 211	kg	2,721
Desmodur W (MDCI)	kg	9,789
Hardener S 66/22	kg	50
Vulcanized GNA rubber;	kg	1,736

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Uncured GNA rubber	kg	631
ARALDITE® AY 103-1	kg	20
RESIN HXE-23	kg	16,855
XB 3515 GB RESIN	kg	7,180
ARADUR 1571 BD	kg	1,615
LOCTITE AERO PART A	kg	1,622
LOCTITE AERO PART B	kg	2,063
A4V uncured rubber	kg	503
Cycom 823 RTM Resin	kg	1,800
EPIKOTE 828 Resin	kg	3,085
EPTANO	kg	234
CYCLOHEXANE	kg	1,215
ZINC OXIDE	kg	306
PREPREG HXE-100	kg	2,122
Dowsil PR-1200 RTV	kg	898
Vestanat TMDI	kg	1,247
XYLOLE	kg	3,600
TOLUENE	kg	320
SS4155 Primer	kg	315
MAPO	kg	690
SilGrip PSA529 (adhesive)	kg	105
MASTIC SILICONE AS BASE	kg	2,027
AMMONIUM PERCHLORATE	kg	1,959,284
Chemosil NL 411	kg	2,478
ISOPHORONE DIISOCYANATE	kg	18
Total	kg	2,029,916

4.1 ESRS E3 Water and marine resources

4.1.1 Management of impacts, risks and opportunities

ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

Positive impacts	Negative impacts	Physical risks	Opportunities
-	- Impacts linked to water resource consumption with regard to operations and the value chain (<i>actual, direct and indirect</i>)	-	-

As previously described, the Double Materiality process conducted led to the identification of material impacts, risks and opportunities (IROs) for the AVIO Group. This process was carried out in the manner specified in *ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities in EFRS 2 General disclosures*. For this CSRD reporting year, the identification of stakeholders for the purpose of stakeholder engagement took into account stakeholders' knowledge of ESG issues for the purpose of giving a timely assessment of the issues covered. In particular, in the area of water resource management, the municipality of Colleferro is involved on a stable basis as a consortium user of the Società Consortile per Azioni SC (Consortium Company), as discharges from some city users flow to the sewage treatment plant owned by Se.Co.Sv.Im. The type of impacts, risks and opportunities identified are mainly related to the Group's production activities and safety systems.

E3-1 – Policies related to water and marine resources

Through its Environmental Policy, the AVIO Group is committed to rationalizing water resources and reducing water consumption. For more information regarding the Environmental Policy, please refer to the section on ESRS 2 MDR-P. Water resources are mainly used by the Group for industrial and civil purposes. Italian companies withdraw water for three different purposes with regard to water supply management.

- Industrial water. Output water from the consortium purification facility is analysed and fed into the industrial water network if it meets legal limits. This helps limit water withdrawals from natural sources. Industrial water is not required for the Airola and Turin sites, or the registered office in Rome. It is sourced from the public network for the Perdasdefogu site; In fact, the Colleferro plant is equipped with a chemical sewer system to collect industrial effluent, which is completely separate from the stormwater conveyance system.
- Fire-fighting water. Fire water is not required for the Turin site or the registered office in Rome. It is sourced from the public network for the Perdasdefogu site and from the TTA industrial district network for the Airola site;
- Drinking water.

The Company has put in place a set of measures to prevent water pollution from its activities. The main measures concern:

- the conveyance of industrial effluent to the sewage treatment plant to prevent the risk of pollution of public water bodies;
- the prohibition of activities on outdoor spaces, except at locations where this is specifically intended, as there is a de-oiler, for the prevention of stormwater contamination;
- the provision of fixed tanks and platforms with holding tanks for drums containing liquids.

In addition, AVIO has an Internal Emergency Plan (IEP) as an integrated procedure of the Environmental Management System and the Management System for Occupational Health and Safety and Major Accident Hazards. The IEP also covers environmental emergencies, such as accidental spills, in order to implement immediate action plans to contain impacts and avoid possible contamination of the water circuit.

The Avio Group, through Se.Co.Sv.Im, owns all plant and permit assets for total independence from the use of water from public aqueducts. These owned assets, through the management of the SC and CSAP Companies,

also provide both industrial and potable water supply to third parties, further reducing consumption from public aqueducts. Direct control of supply sources and collection and treatment facilities enables optimization of the industrial water cycle to minimize withdrawals and maximize reuse of the water resource.

At the overseas company Regulus, all water resource management activities are regularly inspected by the Direction Général des Territoires et de la Mer (formerly DEAL) to obtain and/or maintain the authorisations required to operate. In Italy, water discharge management is directly linked to national legislation. AVIO complies with the requirements of the Integrated Environmental Authorisation (IEA) and Italy's national regulations (Legislative Decree No. 152/2006). Wastewater is discharged and managed by the Consortium Company (CC). AVIO's facility uses a mixed sewerage system that collects both industrial and domestic wastewater and directs it to a purification facility.

E3-2 - Actions and resources related to water and marine resources

AVIO implements several actions with the aim of making its water network more efficient and monitoring its consumption. The main actions taken for the Colleferro area include:

- periodic monitoring of industrial water supply and fire-prevention networks;
- the recurrent monitoring of the industrial water network.
- maximizing the recirculation of industrial water.
- recurring monitoring of the stormwater network, with the treatment of the first rainwater. Se.Co.Sv.Im is in charge of this monitoring and applies to the former industrial areas under its control.
- the treatment and continuous monitoring of groundwater and MISE (emergency safety enhancement). Again, this monitoring is the responsibility of Se.Co.Sv.Im and applies to the former industrial areas under its control.

Avio's 2024 Capex and Opex are not structured to allow identification of precise and exclusive interventions concerning actions taken to monitor and improve water networks. They, in fact, fall within the maintenance activities of the Facility and the land. Their effects will be seen in the measurement of the coming years, consistent with what has happened in previous years, 2024 included, where there has been a significant decrease in water consumption due to the aforementioned recurring actions for network efficiency. Consistent with that stated in its Environmental Policy, Major Accident Hazard Prevention Policy and Sustainability Plan, Avio pursues in fact as its primary goal the reduction of the environmental impacts of its industrial activities as an indirect positive effect of improving production processes, along with timely maintenance controls.

4.1.2 Metrics and targets

E3-3 - Targets related to water and marine resources

The Avio Group's environmental policy goals include water protection and the rationalisation of water resources in all its sites. In addition, its objectives are aligned with the risk and opportunity analysis of the integrated analysis of the Environment and Occupational Health and Safety Management System and Major Accident Hazards. AVIO does not use public drinking water or marine resources. In fact, AVIO's processes do not involve water use except for plant cleaning operations and fire mains. For these purposes, industrial water is used, supplied through the Società Consortile per Azioni Servizi Colleferro (SC), which operates the adduction plants owned by Se.Co.Sv.Im. Each processing room is connected to a chemical sewer system that is completely separate from the stormwater conveyance system. This network sends the effluent to a consortium sewage treatment plant, owned by Se.Co.Sv.Im and operated by Servizi Colleferro, which treats it and, after compliance verification, most of it is fed back into the industrial network. Where necessary or appropriate, SC has permits for discharge into surface water bodies. This recovery and reuse of industrial water actually rationalises the use of this resource, along with the careful management of the plant's internal network.

In 2024, drinking water was provided by the Consortium of Drinking Water (CSAP), which operates the wells owned by Se.Co.Sv.Im.

For firefighting, Avio is equipped with internal storage basins in locations at appropriate elevations to ensure water inflow by piezometric effect. In cases of forest fire emergencies, these reservoirs have also proved useful to the Civil Defense and the National Fire Department, which have requested and obtained the ability to have their firefighting helicopters refuelled.

Se.Co.Sv.Im has built MISE plants located on its area and a treatment plant for groundwater found to be contaminated. In addition, there is a particularly extensive network of piezometers on the area for monitoring at significant points, which is carried out periodically on a voluntary basis. Groundwater treatment and MISE are required by law, the responsibility of Se.Co.Sv.Im as a non-offending owner. The remaining objectives are optional.

E3-4 – Water consumption

In 2024, the AVIO Group's water consumption was 475,408 m³.

Water consumption	UNIT	2024	
		All areas	Areas at water risk, including areas of high-water stress.
Total water consumption⁶¹	m ³	475,408	474,708
Freshwater	m ³	475,408	474,708
Other water	m ³	-	-

	Unit	2024
		All areas
Total water recycled and reused	m ³	94,643.75
Of which recycled	m ³	94,643.75
Of which reused	m ³	-

	Unit	2024
Total water stored	m ³	500

Water intensity		
	Unit	2024
Total water consumption	m3	475,408
Revenues	Euro thousands	480,420
Water intensity	m3/Euro thousands	0.98

⁶¹ The figure entered is actual as it is derived from verifiable measurements and readings.

5.1 ESRS E4 Biodiversity and ecosystems

5.1.1 Strategy

E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model

Through its environmental policy, Avio pays close attention to ecosystems and the protection of biodiversity. Avio operates in Colleferro in a Group-owned area through Se.Co.Sv.Im., whose configuration as an industrial site pre-existed decades before Avio's operations began. These are therefore from the outset perfectly integrated and totally compatible with the environmental substrate, including the ecosystems present and biodiversity, since, as discussed these have settled since the beginning of the last century with the factory. The industrial area is extremely large and with a low rate of construction; such has been maintained until today, protected by the property fence and explosive belt, made in accordance with the TULPS (R.D. 773 of 1931 as amended and implementing regulations, R.D. 635/1940 as amended). The internal ecosystem does, therefore, not directly communicate with the outside and is historically stable. By the nature of its business, Avio has no impacts on such ecosystems except through its industrial activities, for which, the environmental policy establishes clear objectives of compliance, prevention and protection. Compared to the implementation of a dedicated transition plan, therefore, the best action turns out to be the pursuit of the aforementioned environmental policy objectives with special reference to preservation and protection, since the concept of "transition" is not applicable.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

The Group's headquarters are located in Colleferro near Rome; there are also additional sites in Campania, Piedmont and Sardinia in Italy. Operational sites abroad are located in France and French Guiana.

Among them, sites where test and launch activities take place, such as Perdasdefogu in Sardinia and territories located in French Guiana appear to be potentially affected by the impact of activities on biodiversity and ecosystems. Activities in Guyana take place outside the operational control of the Avio Group, within the Guyanese Space Center owned by CNES (*Centre national d'études spatiales*, or the "National Center for Space Studies"), the French government agency in charge of space activities, which collects biodiversity data and itself implements actions dedicated to the protection of biodiversity and ecosystems.

In the Colleferro area, where Avio Group's production activities are concentrated, the potentially negative impact is countered by the fact that the ecosystems present were developed after the establishment of industrial activities at the beginning of the last century. Today they have arrived at a mature equilibrium, pre-existing the start of Avio's activities on the environmental site and, therefore, integrated and compatible with it.

In particular, part of the area known as AVIO's 3C Test Center, located in the municipality of Segni, is in a Nature 2000 SCI area of community interest. Following the conduct of a VINCA study for the expansion of industrial facilities in the area, which was approved by the Lazio Region, the full compatibility of the activities of the production processes with this SCI area is evident, confirming that AVIO's activities do not have negative impacts on threatened species.

Part of the Colleferro industrial area is also located in a protected area under the Birds Directive, which has 31 protected species for European Union and 9 protected habitats for European Union. Specifically, Se.Co.Sv.Im owns about 910 hectares in the municipalities of Colleferro, Segni and Artena and manages this area with regard to soil, subsoil and groundwater monitoring and remediation activities. This area is affected by the following identified positive impact: "environmental remediation of areas subject to proceedings in the National Interest Site (SIN)". In fact, this area has been the subject of final judgments related to pollution, to which Se.Co.Sv.Im, having acquired the industrial site in the mid-1990s, is unrelated. Despite not being responsible for the pollution, the Company has made significant financial investments to carry out remediation works, which are typically the legal obligation of the proprietary owners, consequently undertaking the environmental redevelopment in the area concerned. The indirect impact related to raw material extraction, on the other hand, refers to the Group's value chain, for strategic reasons located mainly in Europe to ensure a broader distribution also in terms of ESG parameters. There are no negative impacts related to Avio's activities on threatened species.

ESRS 2 IRO-1 - Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

Positive impacts	Negative impacts	Physical risks	Opportunities
Development of activities to protect biodiversity and natural capital, in addition to the environmental remediation of areas subject to proceedings within the Site of National Interest (SIN) <i>(actual, direct)</i>	<ul style="list-style-type: none"> - Environmental impact generated by raw material extraction activities <i>(actual, direct)</i> - Potential negative impact on local biodiversity due to production, testing and launch activities <i>(potential; both)</i> 	-	-

This is based on the double materiality analysis carried out in the manner specified in *ESRS 2 IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities in EFRS 2 General disclosures*. With respect to ESRS E4 topics, three biodiversity and ecosystem-related impacts were identified, specifically concerning land use changes, freshwater use and marine resource use. From the Double Materiality analysis, no material risks or opportunities were identified related to this topic. The analysis primarily considered the nature of AVIO's business activities and its core operations. Specifically, production processes and launch tests are essential to the Group's core business. However, AVIO is committed to minimising negative impacts where possible, applying structured procedures and continuously updated technologies as part of its continuous improvement efforts. In this regard, a comprehensive voluntary environmental impact assessment study, with modelling of impacts on all environmental matrices, was conducted for testing activities in Sardinia of the Zefiro40 engine. This study was approved by the Competent Authority of the Sardinia Region, issuing the authorization to carry out and was validated by field characterization ante, during and post test. Thus, the non-influence of bench testing on any environmental matrix and the absence of permanent damage was demonstrated. As mentioned, the study carried out with respect to the expansion of industrial facilities in the area related to AVIO's 3C Test Center also determined that it is fully compatible with the area, indicating no need to implement special mitigation measures with respect to the issue at hand.

As for extraction activities, the impact is indirect as the activity is not carried out by the Group, which instead procures raw materials from industrial processing by third-party suppliers. ESA's sources of supply for strategic and geographic reasons are predominantly European which are, therefore, subject to the same EU rules on environmental protection and preservation of ecosystems and biodiversity. The Group acknowledges its responsibility for protecting the local community and incorporates this commitment into its Environmental Policy, in addition to EU, national and regional environmental regulations. For more information on the Avio Group's engagement and involvement of local communities, please refer to the section "*ESRS S3 Affected Communities*".

5.1.2 Management of impacts, risks and opportunities

ESRS 2 - Policies related to biodiversity and ecosystems

The Avio Group has an Environmental Policy which, in relation to the above impacts, constitutes the framework for defining any objectives and actions of the organisation for the continuous improvement of environmental performance. This policy applies Group-wide, thus also affecting sites defined as biodiversity-relevant, reported in the previous sections. In relation to these impacts, the Policy defines the commitment to:

- Rationalisation of the use of harmful and environmentally hazardous substances and preparations;
- Improved effectiveness of the Environmental Management System;
- Protection and control of all environmental matrices.

For more information regarding this Policy, please refer to the section: *ESRS 2 General disclosures - MDR-P Policies adopted to manage material sustainability matters*

It should also be noted that Se.Co.Sv.Im has been adopting practices aimed at sustainable preservation of soil not dedicated to industrial activities for many years with the help of professionals in the field, establishing sunflower and alfalfa crops on about 100 hectares. It has also conducted a study of "Forest management and reforestation for carbon sequestration and climate adaptation in Avio-Se.Co.Sv.Im-owned land". In view of the Group's activities and impacts, it was not deemed necessary to implement a dedicated policy on the use of sea

water or oceans. Moreover, since the only direct impact turns out to be potential, the consequences of the latter are not explicitly addressed through the policies the Group has in place, as is the issue of materials procurement, the impact of which is not attributable to the Group directly. In line with that discussed above, this policy also does not discuss possible transition risks related to the issue of biodiversity.

E4-3 - Actions and resources related to biodiversity and ecosystems

The AVIO Group's key biodiversity and ecosystem protection initiatives are primarily linked to Se.Co.Sv.Im.'s activities, which contribute to the Group's positive impact on land use changes, freshwater use and marine water use. In collaboration with the institutions, Se.Co.Sv.Im. is in fact engaged in the complete redevelopment of the land it owns in the Colleferro industrial complex, with obvious benefits in terms of the biodiversity through the remediation activities carried out. These activities are defined and carried out consistently with the contents of the Environmental Policy. In this regard, the company continues to be active on several fronts. In particular, several remediation projects were underway in 2024, two of which were approved by decree at the end of the year. These concern the Colleferro site and have as stakeholders the local community and the competent authorities in the environmental sector (MiTE, Lazio Region, ARPA, ISPRA, Metropolitan City, Municipality of Colleferro). Remediation activities are multi-year in nature and depend on the implementation of the ARPA2 project, the responsibility of the Lazio Region. Certification of successful reclamation was also obtained in 2024 in one of the areas owned by Se.Co.Sv.Im., achieving the goal that had been set for the Company in 2023.

In 2024, after obtaining clearances from VINCA regarding the preventive plan for industrial expansion in the 3C Test Center in Colleferro, which, as mentioned, attests to the compatibility with the protection of the area, Avio submitted the application for the Strategic Environmental Assessment (SEA) of the initiative in order to obtain environmental compatibility.

Also noteworthy is the audit conducted on the Management System certified according to the ISO 14001 standard, in order to determine the effectiveness of the application of procedures and instructions for the operational control of all activities with an environmental impact of the company, with the purpose of realizing the operational control of industrial processes, which is capable of preventing disturbances in environmental matrices and ecosystems. Regarding the negative impacts identified, the Group's companies apply the procedures outlined in the management systems established in compliance with international and regional principles and standards, working to minimise or prevent their environmental impact wherever possible. However, given the nature of the Group's business activities, certain limitations exist with regard to the margin of action. Given the nature of the Group's operations and the impacts discussed, and in particular the positive impact identified, resorting to biodiversity offsets is not relevant. Please also refer to *SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model* for more information.

5.1.3 Metrics and targets

E4-4 - Targets related to biodiversity and ecosystems

As previously indicated, the Sustainability Plan is integrated with the Group's Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company has deemed it appropriate not to disclose it. In this reporting, we therefore disclose the Plan's macro areas of intervention. The AVIO Group aims to protect ecosystems and biodiversity through the application of the Environmental Policy and compliance with mandatory and voluntary impact limits that are related to industrial activities. AVIO has therefore prepared a high-level target related to the protection of biodiversity, referring to the protection of the areas in which the Group operates, further broken down into the following sub-target: to promote and encourage the protection of the natural resources of the areas in which the Group operates through the management and maintenance of areas and greenery with respect for biodiversity, in line with the Environmental Policy adopted by the Group, which also defines the objective of protection and control of all environmental matrices and the policy of prevention from major accidents pursuant to Legislative Decree 105/15 as amended. These goals, as well as the Policy to which they refer, are aligned with European Union Directives and ESA's Chart for a Sustainable Space Sector. It should also be noted that the Avio Group has not currently assessed as necessary the drafting of specific policies related to the protection of ecosystems and biodiversity, and the topic concerns more the objectives defined within the Environmental Policy and the Policy for the Prevention of Major Accidents. Group processes are managed and monitored by the functions that have day-to-day responsibility for ensuring compliance with our policies and applicable regulations. Environmental aspects are also managed on an ongoing basis through ISO 14001 certification. The effectiveness of the actions taken and thus the progress of these goals are evaluated and disclosed annually through the Annual Report under the AIA. Related actions are disclosed in the same document, as well as through the non-financial statement, since 2024 the Sustainability Statement, which the Group has been publishing since 2017.

E4-5 – Impact metrics related to biodiversity and ecosystems change

As reported, part of the area hosting the Group's activities are located in the municipalities of Colleferro, Segni and Artena, which is a biodiversity-sensitive area. Specifically, more than 910 hectares is owned by Se.co.sv.im, whose work nevertheless brings positive impacts from a biodiversity point of view not only in the areas affected by reclamation activities, but also in the protection and land management of all other areas not dedicated to industrial activities. In terms of the Avio 3C Test Center located in a Site of Community Interest (SCI) in the municipality of Segni, the activity here was determined to be compatible with the preservation of local biodiversity and the site. Finally, as discussed above, the Group does not contribute through its activities to changes in land, freshwater or sea use in a direct way.

6.1 ESRS E5 Resource use and circular economy

6.1.1 Management of impacts, risks and opportunities

ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Positive impacts	Negative impacts	Risks	Opportunities
<ul style="list-style-type: none"> - Proper waste management for materials not used in production (<i>actual, direct</i>) 	<ul style="list-style-type: none"> - Waste generation and production scraps from operations and across the value chain (<i>actual, direct and indirect</i>) - Impacts caused by improper recycling, recovery and disposal of hazardous and non-hazardous waste (<i>potential, direct</i>) 	<ul style="list-style-type: none"> - Risk of production disruption due to external events such as natural disasters or supply chain breakdowns for non-replaceable goods and services - Reputational risk due to insufficient and/or ineffective hazardous and non-hazardous waste management 	<ul style="list-style-type: none"> - Improved material management, potentially impacting cost structures thanks to the introduction of circular economy practices - Research and development into the disposal of (space) debris.

This is based on the double materiality analysis carried out in the manner specified in *ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities in EFRS 2 General disclosures*. The types of impacts, risks and opportunities identified are related to the Group's production activities. In conducting this analysis, the nature of the Avio Group's business activities and the activities that are fundamental to its core business were considered first, together with the mapping of the value chain. External stakeholders were identified for stakeholder engagement based on an assessment of their knowledge and maturity regarding ESG topics. Selected stakeholders were provided with an impact assessment questionnaire focusing on the AVIO Group's material topics. The external stakeholder evaluations were then cross-referenced with internal stakeholder assessments, and the average score was compared with the materiality threshold to identify material and non-material impacts. Local communities are a major stakeholder in all activities and initiatives carried out in the area in which the Group operates, and their perspective was taken into account during the internal assessments of the double materiality process.

E5-1 – Policies related to resource use and circular economy

AVIO has adopted an Environmental Policy that applies to the entire Group, guiding its corporate commitment and serving as the basis for evaluating environmental performance, particularly regarding waste management improvements. Since 2010, an Environmental Management System has been implemented, certified in accordance with ISO 14001, which encompasses the set of procedures and instructions for the operational control of all the company's environmentally impactful activities, also with the aim of realizing an operational control of industrial processes, designed to ensure the proper management of waste, starting from its production and ending with its disposal. Through internal self-control audits and external control audits, the proper implementation of procedures related to the waste cycle is verified.

For further details on AVIO's policies, please refer to section: *ESRS 2 General disclosures – MDR-P Policies adopted to manage material sustainability matters*.

Avio does not use raw materials directly from virgin resources, as they are always the result, in turn, of industrial production. Therefore, phasing out the use of virgin resources is not relevant to AVIO as it is not directly controllable.

Through the adoption of its Environmental Policy, AVIO seeks to optimise resource use, reduce consumption and enhance efficiency, starting from the process design phase, taking into account the entire product lifecycle. As part of the remediation activities carried out by Se.Co.Sv.Im., a procedure exists that outlines the manner to manage the flow of materials into and out of Se.Co.Sv.Im. remediation site areas, with reference to materials and wastes from hot-spots and destined for the MISP Arpa 2 site and produced in the relevant work areas. This includes tracking sheets, a handling log, and defines the procedure for delivery to the ARPA 2 storage site.

E5-2 – Actions and resources related to resource use and circular economy

Avio, on an annual and ongoing basis, pursues several actions related to resource use policies and the circular economy, including:

(a) Ensuring the separate collection of waste closely linked to production

Separate collection has been implemented at all Avio sites, which has come to recognise many different EWC codes in order to be able to facilitate sending waste to different recovery destinations. The activity is recurring and is updated annually with new waste characterization where necessary.

(b) Maximising the amount of waste sent for recovery

Through the help of partners and external firms, waste managers, an effort is made to maximize the amount sent for recovery each year within the Avio sites where there is production activity. By 2024, a non-disposal waste percentage of 71% was achieved, of which 25% was through recycling operations and 46% through recovery operations. The success of the process depends in part on the availability of firms that carry out waste treatment.

(c) Send excess materials not used in the production cycle to new use

Space materials are particularly valuable and belong to the high quality range, but they are also very specific and difficult to reuse. The activity is closely bound to the availability of the receiving companies and therefore does not qualify as a recurring activity. In 2024, within the perimeter of Colleferro, ammonium perchlorate was recovered for return to the producer, which will be reprocessed by the producer and put back into production.

(d) Developing new products using materials that are reused as much as possible and/or are not hazardous to health and the environment, and adopting procurement logics that minimize excesses

The new products are relevant to the field of aerospace propulsion and will be subject to very high performance and quality criteria. These developments concern the Colleferro and Sardinia sites, with a time horizon of several years, depending on the complexity of the product to be developed.

Avio's 2024 Capex and Opex are not structured to allow identification of precise and exclusive interventions concerning actions attributable to the circularisation of the economy. As a non-waste processor, an activity concerning a specific category framed under Legislative Decree No. 152/06, as amended, Avio cannot treat or recycle any waste internally, but only optimise the use of materials before they become waste, and this is done through waste reduction, which, however, is not explicitly reportable, nor does it allow for more virtuous percentages to be computed in waste recycling indicators. As an example, the configuration constraints of solid thrusters force a maximum number of batches of raw materials, the quantities procured, therefore, are made in such a way as to minimise residual batch queues and thus waste generation. Similarly, the length of carbon fibre pre-preg spools impregnated in-house are made to the same length (which is not the case with commercial materials) in order to make maximum use of the rack during filament winding. Another example is the development of the new MR10 experimental methane and liquid oxygen engine, which not only paves the technological way for the future realisation of reusable engines, but also employs biomethane, which comes from the treatment of biomass and, therefore, from renewable sources. At the same time, sunflower crops are being cultivated within the plant in more than 60 hectares of land in the buffer area, which are then earmarked for use as biomass, at least partially replenishing the circuit. This activity, however, is not reportable because of a supply chain that is not yet structured for such certification today. Finally, there are the indirect effects such as the significant investment in the digitisation of controls and management with the Industry 4.0 project which, through the development of the specific applications will allow an unprecedented reduction in paper use for document circuits and file archiving.

6.1.2 Metrics and targets

E5-3 – Targets related to resource use and circular economy

As previously indicated, the Sustainability Plan is integrated with the Group's Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company has deemed it appropriate not

to disclose it. In this reporting, we therefore disclose the Plan's macro-areas of action related to resource use and circular economy, which are in turn broken down into a sub-target designed to guide the Group's actions:

- Minimise the impact of waste;
- Develop new products and technologies.

Through the use of technologies that optimize the use of resources and materials Avio implements its policy that ensures the principles of compliance, protection, prevention and integration regarding the environmental aspect of resource use.

The targets related to resource use and circular economy refer to the inflows and outflows of materials with the intention of reducing, in future products and technologies, the inflow and outflow of materials.

Avio incentivises the circular economy through a recovery of materials for use in new activities, without them being defined as "waste" since some raw materials for space use, even without any treatment, are particularly suitable for other uses, allowing them to be used as such.

There are no specific targets related to the sustainable sourcing and use of renewable resources, but a number of products from renewable plant sources are used within the production processes, and at the same time Se.Co.Sv.Im. carries out cultivation on an area of about 60 hectares of sunflowers intended for oils and fuels for industrial use.

The targets are not specific to the hierarchical level of waste considered but cover the entire waste hierarchy, from prevention to recycling to disposal. The targets were set voluntarily and not as mandatory due to legislative requirements.

Avio publishes an Annual Report concerning environmental performance, in compliance with the "Integrated Environmental Authorization", in which a comparison is made with the performance of the previous year and/or earlier. Within the Report are a series of indicators that are used by Avio to measure its performance using 2010 as the base year, which corresponds to the year of the first AIA Executive Determination.

E5-4 - Resource inflows

The Group's production model requires raw materials and components, classifiable as Direct materials, which can be traced to the following macro commodity areas for the manufacture of its products (engines and launchers):

- Commodity: chemicals/metallic materials;
- Flight components: solid and liquid propulsion engines/stage components/electronic components/structural components.

Resource inflows in 2024 ⁶²		
Type of resource inflow	Unit	Total product weight
Kevlar matrix tires	t	41.04
Pre-impregnated carbon fiber	t	65.57
Chemosil 211	t	0.15
Xylene	t	0.08
Vestanat IPDI	t	2.10
Ammonium perchlorate	t	292.78
Aluminium powder	t	100.58
Acetone	t	1.08
Chemosil 411NL	t	0.16
Metallic powder	t	1.38
Polymers	t	27.48
Mapo	t	0.12
Cyclohexane	t	0.62
Total	t	533.14

⁶² Data refers to Avio S.p.A. For the remaining Group companies, the amount of resources used is either not relevant for reporting purposes or the purchase is centrally managed by Avio S.p.A..

Data regarding raw materials refer to materials consumed for operational processes in 2024. The materials used are all technical in that raw materials are not used directly from virgin resources, but the same are always the result, in turn, of industrial production.

A number of actions are implemented to maximize the reuse of its materials, however, quality constraints imposed by the industry objectively limit this action and make the amount of secondary components reused or recycled, secondary intermediates and secondary raw materials, not material for reporting purposes.

E5-5 - Resource outflows

Waste produced ⁶³		
	Unit	2024
Diverted from disposal		
Total	t	504.57
Hazardous waste	t	45.33
Preparation for reuse	t	0
Recycling	t	11.27
Other recovery operations	t	34.06
Non-hazardous waste	t	459.24
Preparation for reuse	t	0
Recycling	t	167.29
Other recovery operations	t	291.95
Directed to disposal		
Total	t	202.55
Hazardous waste	t	170.87
Incineration	t	15.35
Landfill	t	0
Other disposal operations	t	155.52
Non-hazardous waste	t	31.68
Incineration	t	0
Landfill	t	0.87
Other disposal operations	t	30.81
Non-recycled waste	t	528.56
Percentage of non-recycled waste	%	74.75%
Total waste produced	t	707.12

The total waste figure also includes a percentage of the waste produced by the Colferro per Azioni Services Consortium Company (SC), assumed to correspond to the percentage of wastewater delivered to the treatment plant by Avio in 2024 compared to the total volume of wastewater treated by the SC in the year. Since Avio contributes about 15% of the total wastewater, while the remaining 85% is water from other Consortium members' processes, 15% of the weight of waste produced by SC in 2024 was taken into account. The resulting

⁶³ These quantities include the share of waste produced by Colferro Services.

amount is 22.9 tons, which represents 3.3% of the total waste in the consolidated Group figure without considering SC (684 tons).

On the other hand, as of March 26, 2025, the Group holds 52% of the consortium shares through Avio and its subsidiary Secosvim.

The main wastes generated within the Colleferro production plant are from production processes: waste from organic chemical processes, waste from the production, formulation, supply and use of coatings, waste from photographic processes, waste from products from shaping and physical and mechanical surface treatment of metals and plastics, waste oils for hydraulic circuits, packaging, end-of-life vehicles and belonging to different modes of transport, waste from dismantling of vehicles and end-of-life and maintenance as well as vehicles, waste from construction and demolition activities, and from separated collection. Wastes at the 3C test center are from testing activities: waste from organic chemical processes, waste from the production, formulation, supply and use of coatings, waste from photographic processes, waste from shaping and physical and mechanical surface treatment of metals and plastics, waste hydraulic circuit oils, packaging, end-of-life vehicles belonging to different modes of transportation, wastes from construction and demolition activities, and from separated collection.

As for the Airola site, the main wastes are office waste, organic chemical process waste, organic waste containing hazardous substances and packaging.

The company Se.Co.Sv.Im does not formally produce any type of hazardous waste. If waste is generated during routine and/or special maintenance activities on site, it is managed under the contracts agreed with the contractors mentioned above and/or under existing service contracts with the management company Servizi Colleferro, which sees both as producers of the waste resulting from their activities. Hazardous waste from office activities (e.g. toner) is handled by the printing service provider under a contract agreed with the parent company. Se.Co.Sv.Im oversees the appropriate management of administrative obligations related to the handling of various types of waste generated on site, but is not, therefore, a producer of special waste. The only waste produced by Se.Co.Sv.Im is municipal waste during office activities, which is managed through the public service.

For Temis, the main wastes are those related only to offices and laboratories, which are properly sorted according to the property's municipality. The management of spent printing consumables and spare parts is assigned to an outside company that carries out periodic collection and disposal according to the relevant regulations.

Waste generated by AVIO Guyane is stored in accordance with current regulations in a temporary storage facility awaiting pickup by a third-party company that handles the transportation, treatment and disposal of the waste. All operations are carried out by the third party company are recorded on the "BSD - Bordereau Suivi Déchet" form sent to the producer AVIO Guyane through the platform of the French ministry "TrackDéchets". From the platform, it is possible to sign the BSD for acceptance and track the waste from its collection to disposal. Waste is categorised by EWC codes and weighed, reporting the data on the BSD. The waste generated is the result of launcher integration activities. For all activities carried out outside this scope, third-party firms dispose of their own waste independently. The main types of waste present are iron, wood, plastic, cardboard, expired personal protective equipment, expired chemicals, and materials and textiles contaminated with chemicals. The third-party waste disposal company implements a waste recycling/regeneration/reuse policy.

Hazardous waste		
	Unit	2024
Hazardous waste	t	215.61
of which radioactive	t	0

No radioactive waste was generated in 2024. Regarding activities that make use of radiogenic machines, please refer to section S1-4 - Actions on Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions - Attention to occupational

health and safety within the various Group companies. Whenever the contractual agreements establish the contractor as the producer of waste resulting from activities, the Company complies with the management system procedures and applies the necessary control measures to ensure the proper management of waste by third parties.

COMPANY INFORMATION

7.1 ESRS S1 Own workforce

7.1.1 Strategy

ESRS 2 SBM-2 – Interests and views of stakeholders

Constant attention and commitment to human capital are the founding pillars on which Avio has defined a development plan targeted at enhancing qualities and skills, based on specific selection, training, management and remuneration policy processes. The Group operates in an exceptionally specialised field that necessitates the employment of highly skilled workers. Avio is therefore keen to attract and identify outstanding individuals with strong technical-professional and managerial abilities that are difficult to replace, and is determined to develop and retain the finest personnel while ensuring a diverse, inclusive and innovative workplace environment.

Avio's personnel management model features continuous professional development achieved through the constant acquisition of new skills accompanied by generational turnover, generating a reorganisation path designed to making the corporate structure efficient and develop an operating model capable of supporting business growth in a sustainable manner.

For more information on stakeholder involvement, see *ESRS 2 – SBM-2 – Interests and views of stakeholders*.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Positive impacts	Negative impacts	Risks	Opportunities
<ul style="list-style-type: none"> - Job creation (<i>actual, direct</i>) - Ensure the well-being and protection of workers' rights (<i>actual, direct</i>) - Effective safeguarding of fair wages in line with national regulations, collective agreements and the company's remuneration policy (<i>actual, direct</i>) - Ensuring employee well-being and work-life balance through appropriate welfare initiatives (<i>actual, direct</i>) - Promoting a culture of safety and ongoing staff training, contributing to the creation of a safer environment and reducing workplace accidents (<i>actual, direct</i>) - Development of programmes and initiatives to promote equal opportunities among employees and collaborators within the Group Investments in training plans designed to 	<ul style="list-style-type: none"> - Potential workplace injuries and/or accidents (<i>potential, direct</i>) 	<ul style="list-style-type: none"> - Risks related to the loss of key personnel/critical skills and the inability to attract new talent 	<ul style="list-style-type: none"> - Increased corporate productivity thanks to enhanced employee well-being

maintain and enhance corporate skills and expertise (<i>actual, direct</i>) - Development of initiatives for the inclusion of people with disabilities and compliance with regulations regarding the employment of protected categories (<i>potential, direct</i>) - Adoption of preventive and protective measures against workplace violence and harassment (e.g. whistleblowing channels, code of ethics) (<i>actual, direct</i>)			
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In the framework outlined, as of December 31, 2024, the total number of Group employees was 1,355. In order to promote stable employment and long-term relations, a high number of Group employees (97.4%) have permanent employment contracts.

The majority of the corporate population is located in Italy. As a direct result of Avio's business model, the job categories with the largest number of employees are white-collar and blue-collar workers.

The majority of employees (66%) are in the 30-50 age group.

All of AVIO's own workers who could be significantly impacted are included in this disclosure. Human resources are an "essential corporate asset" and the Group's "real driving force," whose development is a key factor in achieving the targets set. These are closely anchored to sustainability goals, where the full engagement of staff in adopting the concept of sustainability is not limited to the Company's internal activities, but spreads like a teaching within its community, creating essential value in promoting and disseminating a culture marked by sustainability values and encouraging conscious and responsible behaviours.

For details of the double materiality process carried out by the Avio Group, see *ESRS 2 General Disclosures - Management of impacts, risks and opportunities- IRO-1*.

Following the double materiality analysis, a number of impacts, risks and opportunities relevant to own workforce were noted. The positive impacts stem from the Group's activities in adopting corporate programmes, procedures and policies related to these aspects.

The positive impacts include both employees and non-employees, except for those related to training, incentive and disability inclusion programmes, which only apply to the Group's direct employees. The identified negative impact is linked to isolated incidents or specific circumstances; the employees who may possibly be affected are the Group's blue collar workers as the category most susceptible to possible occupational hazards. Avio, having considered the importance of the issue has prepared a set of policies and procedures integrated with the ISO 45001-certified Management System, which is referred to in *MDR-P - Policies adopted to manage material sustainability matters*, aimed at mitigating the impact considered. The Group has implemented structured procedures that outline roles and obligations pertaining to the safety of AVIO staff overseas or on assignment.

There are no impacts from transition plans on the own workforce as there has not yet been a plan to transition to a green economy however this is in the process of being defined. The relevant risks and opportunities identified, stemming from the Group's impacts and dependencies in terms of its own workforce, apply to the Group's entire own workforce. With regard to its own workforce, the Group has not identified operations or locations, where they are carried out, at risk of forced labour and child labour.

7.1.2 Management of impacts, risks and opportunities

S1-1 - Policies related to own workforce

In order to manage its own workforce and related impacts, risks and opportunities, the Group has a set of policies:

- *Diversity policy;*
- *Welfare plans;*
- *Remuneration policy - Talent development;*
- *Specialist career policy;*
- *Flexible working policy;*
- *Travel Policy;*
- *Occupational Health and Safety and Major Accident Prevention Policy;*
- *Code of Ethics;*
- *Charter of Ethics.*

For further details on AVIO's policies, please refer to section: *ESRS 2 General disclosures - MDR-P Policies adopted to manage material sustainability matters*. AVIO's policy commitment translates into the centralised and effective management of the major issues related to its own workforce:

Human Rights

The importance of human rights and respect for the integrity of each collaborator is a fundamental priority for Avio in conducting its business.

The Group is committed to avoiding any association with suppliers, partners and customers who engage in practices traceable to human rights violations or abuses. Avio demands that its suppliers and subcontractors contractually accept the Company's Code of Ethics in order to ensure adherence to the same standards as Avio in the conduct of their activities. Within the Regulus Code of Ethics and Charter of Ethics, the Group makes clear its responsibility to protect employees from any form of harassment or unwanted behaviour, including actions based on race, gender, religion or other personal characteristics that violate the dignity of the individual, and to combat any such phenomenon whenever they appear.

These ethical principles are referred to in the Company's Organisational Model and 231 Guidelines. Failure to comply with them could expose the Group to sanctions and legal proceedings related to offences falling within the scope of Legislative Decree No. 231/2001. To spread these concepts and bring employees up to date on policies and processes linked to respect for human rights, Avio offers planned and continuing training sessions. The Group acts with regard for the dignity of its employees, building a system of relationships and constructive dialogue with staff that fosters their motivation and sense of belonging and encourages their direct participation.

Violations of the Code of Ethics may result in disciplinary actions and lead to the termination of the relationship of trust between the Group and the individual, consequently resulting in the termination of the relationship. In any case, the relevant Group company reserves the right to take legal action to seek compensation for any damages caused and/or resulting from the violation. In the event that human rights impacts occur within its workforce, Avio will strive to implement specific measures designed to provide and/or remedy the impact in question.

The Group bases its personnel management policy on the principles outlined in the Corporate Code of Ethics and the Regulus Charter of Ethics, including respect for moral integrity in all its facets, protection of workers within a framework of constant attention to human capital, and compliance with national laws and the fundamental Conventions of the International Labour Organization (ILO) at each stage of personnel management.

Within the Code of Ethics, Avio also condemns unlawful labour relations, the use of child labour and all forms of exploitation and undue advantage arising therefrom. The Avio Group is committed to ensuring that its business activities are conducted in a manner that does not violate internationally recognised human rights. The AVIO Group does not employ child labour, meaning it does not hire individuals below the legal working age established in the location where the work is performed, and in any case, not below fifteen years of age, except for exceptions expressly provided by international conventions.

In addition, The Supplier Code of Conduct has been adopted, which outlines the conduct expected of suppliers: conduct in accordance with the values, principles and standards to which Avio adheres, from senior management to employees, including business partners.

Occupational health and safety

In order to fully protect and guarantee the health and safety of workers and the prevention of major accidents in all its activities, the Group has policies and procedures in place to ensure proper and uniform management of these issues. The Group declares, in its Code of Ethics and Regulus' Charter of Ethics, its commitment to ensure effective management of the health, safety and hygiene of workers and is committed to promoting the application of the highest standards in terms of health and safety and the prevention of major accidents, in

addition to preserving the physical and moral integrity of individuals, starting with the prevention and continuous monitoring of risks in the workplace.

There is also an Occupational Health and Safety and Major Accident Prevention Policy based on the Integrated Health and Safety and Major Hazard Prevention Management System, certified in accordance with ISO 45001, by an independent external body.

The HSEIS Organisational Unit has overall responsibility for the implementation and control of the integrated OHS-MAP management system. The French company Regulus has adopted the Manuel Qualité, Sécurité, Environnement (the "Quality, Safety and Environment Manual"), describing its integrated management system, which, in the field of safety, is mainly inspired by the international standard ISO 45001. In addition to pursuing improvements in occupational health and safety and with regard to internal resources, Avio invests in the safety of its operating environment so that employees can work in a safe and comfortable setting.

Diversity and inclusion

Avio has a Diversity Policy, which has been approved by the Company's Board of Directors; moreover, within the Code of Ethics, any form of harassment or unwanted behaviour is explicitly declared as unacceptable. Avio supports and promotes the diversity of gender, age, nationality, religion, and personal politics. The Group further strengthens its commitment to this cause by condemning all types of discrimination in every aspect of the employment relationship, from the hiring process to the delegation of duties, responsibilities and targets, the provision of training and compensation, and the termination of the employment relationship.

The Code of Ethics explicitly lists the following grounds for discrimination: sex, gender, geographic origin, religion or other personal characteristics that have the purpose or effect of violating the dignity of the individual to whom such harassment or behaviours are directed, both within and outside the workplace. Regarding the inclusion of vulnerable categories of employees, within the Code of Ethics the Avio Group is committed, consistent with the role and function held, to providing equal opportunities in employment and professional advancement for all people. This is carried out, for example, through the activation of the agreement with the Labor Office for the purpose of hiring a target number of people from vulnerable categories. Overall, each department head is responsible for ensuring that all aspects of the employment relationship – including hiring, training, compensation, promotions, task assignment, responsibilities and objectives, performance evaluation, transfers, and termination – are handled fairly and in accordance with job requirements, avoiding any form of discrimination, particularly based on race, sex, gender, age, nationality, religion or personal beliefs. As previously described Avio also has a certified management system, a Gender Equality Policy and a dedicated Steering Committee.

Training and development

Personnel selection plays a crucial role in the ability to discover highly qualified skills and professionalism, recognise and enhance them on a long-term path, and effectively contribute to the achievement of business objectives by leveraging the professionalism of new talent and motivating the most qualified resources already present in the Company.

The Group establishes methods for managing personnel selection and recruitment processes in accordance with corporate principles in order to fill corporate roles with qualified personnel. The Group, consistent with the internal rules and regulations of the foreign Companies and defines the operating procedures necessary for:

- defining and validating requirements (i.e. criteria in terms of responsibilities, planned activities, technical and management skills, schooling, professional experience), and monitoring their outcomes in relation to the needs expressed;
- defining the process of people recruitment and selection;
- managing the intake and subsequently the induction of new hires.

Talent Acquisition

Talent Acquisition involves a long-term strategy and the search for highly specialised individuals. Finding, attracting, and developing talent with appropriate career plans is one of the most significant objectives for a company aspiring to achieve sustained growth. On an annual basis, the Avio Senior Management team issues a Merit and Development Policy, inspired by differentiation. Qualitative and quantitative selectivity criteria, consistent with employee roles and responsibilities, are defined in the policy for salary and category-based adjustments. In 2023, Avio introduced a new Talent Acquisition process based on the "candidate experience". 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 since last year.

Avio's Employer Branding activities were either "online" or "offline". In online activities, with the collaboration of the communications team, new digital employer branding content was shown to employees on Avio's social channels and corporate intranet. The presence in classrooms, through workshops and case studies, has made it possible to further strengthen Avio's brand awareness, even in engineering specialisation paths not directly

related to the company's business, but nevertheless of strong interest and impact for the conduct of many activities.

During the year 2024, 27 Employer Branding activities were organised.

Since 2023, a Database has been implemented to manage the entire Search and Selection process, which provides a number of advantages:

- one platform to handle all applications;
- correct application filing and collection methods pursuant to Article 13 of Regulation (EU) No. 2016/679 (GDPR);
- new Avio Employer Branding system;
- improved candidate experience;
- candidate retention from a future perspective.

To date, the use of Avio's Talent Acquisition database has enabled the inclusion of more than 8,000 applications since July 2023. In order to improve the candidate experience, we have implemented structured and ongoing programming of courses on 'Recruiting Excellence', now in its 10th edition, designed and delivered by the talent team. This strategic approach has enabled and enables us to offer high-level training aimed at enhancing the capabilities of our people managers and promoting standards of excellence in attraction, recruitment, aligned with the corporate goals.

S1-2 – Processes for engaging with own workers and workers' representatives about impacts

The ways in which the interests, views and rights of the AVIO Group's own workers shape the company's strategy and business model, including respect for human rights, are outlined in the section *ERSE 2 "Interests and views of stakeholders"*. Regarding the involvement of the company's own workforce in impact materiality assessments, we note that key representatives and their teams from the AVIO Group's core areas and functions were engaged in the process.

The Group undertakes to promote the ongoing exchange of information and advice with trade unions on issues of common interest to ensure the well-being of its workers and the protection of their rights. Dialogue is conducted through constant liaison in order to promote a participatory corporate culture, ensuring constructive dialogue to achieve an ongoing understanding of the organisation's needs. The principles of transparency, independence and integrity underpin the relations maintained by the relevant corporate functions with trade union organisations. This approach aligns with national and international standards governing the consultation and participation of worker representatives.

In practice, the Group regularly engages worker representatives through periodic meetings, advisory committees and dedicated discussion platforms, ensuring that their views are appropriately considered in strategic decision-making and business model analysis.

The Group undertakes to promote the ongoing exchange of information and advice with trade unions on issues of common interest to ensure the well-being of its workers and the protection of their rights. Dialogue is conducted through constant liaison in order to promote a participatory corporate culture, ensuring constructive dialogue to achieve an ongoing understanding of the organisation's needs.

Regular liaison with the trade unions is particularly important, in order to put in place ongoing and advance communication about business-related issues that may impact workers.

In 2024, regular meetings were held with the General Workers' Representative Body (RSU) to involve and inform union representatives on Company developments, temporary employment contract renewals, and new initiatives, such as the distribution of a €100 voucher to all employees in December as part of the Company's welfare programme. In 2024, negotiations concluded on the first corporate supplementary contract in Avio's history, valid for the years 2024-2026.

Avio's Human Resources and Organisation Department, which reports directly to the Chief Executive Officer, manages all aspects of Avio's people management. This function also relies on the assistance of the directorates in defining requirements and, if necessary, utilises external companies specialising in selection and evaluation processes to strengthen head-hunting activities. This is done in accordance with established processes and procedures, aligned with best practices found nationally and internationally despite the absence of formalised policies. There are no specific agreements with worker representatives regarding human rights, as the Group makes clear its responsibility within the Regulus Code of Ethics and Charter of Ethics to protect employees from any form of harassment or unwanted behaviour, including actions based on race, gender, religion or other personal characteristics that violate the dignity of the individual, and to combat any such phenomenon whenever they appear.

Minutes were drawn up for a meeting on the reporting of 2023 results, relating to the participation bonus paid in 2024. During the year, the annual meeting with Territorial Representatives was held to explain the company's progress, hiring and merit-reward plan, focusing particularly on operators. Meetings were held with the General Workers' Representative Body (RSU), the HSE manager and the cafeteria committee. No specific measures have been adopted to understand the perspectives of particularly vulnerable worker categories, as all measures equally involve all AVIO employees.

S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns

Regarding the negative impact "Potential Workplace Injuries and/or Accidents", Avio has a specific procedure in place that describes the processes, activities and controls put in place to remedy in the event that the impact in question occurs:

- Injury detection;
- Injury analysis and reporting to INAIL;
- Recording the injury;
- Injury monitoring;
- Collection and consolidation of injury data;
- Reporting of occupational injury data.

The Group has adopted a Whistleblowing Procedure in compliance with the Whistleblowing Decree, allowing reports to be submitted electronically. Any complaints and reports are handled in accordance with the provisions outlined in the Whistleblowing Procedure, available on the website of the Avio Group.

In addition to training for at-risk persons, the Code of Ethics and the 231 Model and their periodic updates are submitted for signature for acceptance by all employees, including new hires, of Italian companies. Regulus, on the other hand, has communicated the Charter of Ethics to all staff, including new hires, since 2022, despite not offering ad hoc training courses on these topics.

Regarding the handling of reports, please refer to section *G1-3 – Prevention and detection of corruption and bribery*

Information on the Procedure is made accessible and available to all, made easily visible in workplaces and is also published in a dedicated section of the Company's website. Information on the Procedure is also made available when a new employee is hired. Training on whistleblowing and on the provisions of the Procedure in general is included in the staff training plans on compliance provided by the Company.

The Whistleblowing Decree provides a series of protective measures for whistleblowers acting in good faith and related persons. These protections include the prohibition of retaliation and safeguards against it, in addition to support measures, assistance and free advisory services from third-sector organisations for both the whistleblower and the person involved.

For more information regarding the Avio Group's Whistleblowing channel, please refer to section "*G1-1 – Corporate culture and business conduct policies*."

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

The Group pursues several actions related to its own workforce policies that cover a continuous and annual time horizon:

Training activities to update knowledge and skills, identifying the appropriate training methods to address any gaps

In 2024, training courses saw an expansion of soft skills. 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 and improve company performance.

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 combined with courses on the Avio Academy LMS platform to 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 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. The third edition of the Mentoring programme which began in 2023 was completed, with the goal of acquiring basic Mentoring knowledge: approaches, methodology, practices, skills and behaviour. Individual Coaching sessions and Counselling were 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). Technical training was carried out to support the IT and Cyber Security departments, incorporating simulations of cyber attacks. Guaranteed training and updating specific and mandatory technical skills in safety, environment and manufacturing and support for internationalisation, with a focus on individual and collective language training (French language courses, English language courses) and the use of a dedicated platform. Finally, the Get on Board project continued in a more interactive mode to support the Induction phase.

AVIO Guyane also pursued several training initiatives in 2024, including activities dedicated to ecological transition, soft skills development as well as mandatory training aimed at safely managing launch activities.

D&I Initiatives

In 2024, Avio participated in a series of D&I events such as a STEM career day dedicated to women. Alongside Valore D, a series of initiatives are planned in middle and high schools in which engineers recount their experiences with a view to the orientation of future generations.

The Educational Campaign promoted by Avio since 2022 continues, 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.

A voluntary course was carried out with the goal of mitigating Bias with increased percentage participation. Courses were carried out by the Talent Acquisition team on how to process candidates, and specific training dedicated to eliminating bias is planned for 2025.

Well-being agenda

A well-being agenda was developed within Avio that sought to improve employee well-being through a series of collaborations and training based on four pillars:

- Physical: there are pathways with nutritionists and psychologists;
- Social: sports tournaments are organised, with a focus on improving mood and a sense of togetherness among employees, and discounts are offered for theatre events;
- Emotional: with Counsel Coaching and mentoring;
- Financial: Through a series of courses, employees are made aware of financial well-being issues such as approaching retirement, pension and contribution issues. There is also an agreement with a bank, and an advice desk on loans and financing has been opened, in addition to the desk dedicated to discounts provided in cooperation with the Stellantis Group.

Exit Feedback and Exit Interview

Outgoing employees are forwarded an email in which they are asked to provide feedback on how to improve their work experience, and the feedback is then commented on in a final Exit Interview. Every three months, reports are prepared with the HR management team detailing the main reasons for exit and recommendations for improvement.

Development of specific assessment systems

The Variable Bonus system continued for approximately 41% of the company's population, linked to the Avio Group's Target Plan for FY 2024. The goal-setting process in which soft skills influence the evaluation alongside managerial skills was confirmed. Determination and disbursement of the bonus depends on achievement of individual and organisational performance targets. As for the performance assessment system for white- and blue-collar personnel not impacted by the variable bonus, role objectives and organisational behavioural objectives are present.

Role mapping through the adoption of the company's job description framework

A job description has been created and implemented to provide greater clarity in roles and assess the degree to which staff are covering business roles, ensuring proper management, documentation and standardisation of related activities.

Attention to Occupational Health and Safety within the various Group companies

Activities at Avio's Colleferro Facility that involve the use of substances and preparations classified as explosive and/or comburent are authorised and controlled by the Ministry of the Interior to ensure that they are planned and carried out in compliance with the safety criteria established by the Regulation of Execution of the Consolidated Text of 18/06/1931 of the Laws of Public Safety (Royal Decree No. 635 of 06/05/40). Avio S.p.A.'s Colleferro facility falls under the obligations of Legislative Decree No. 105/2015 (upper threshold) for the possession of substances classified as Comburent and Explosive.

Activities at the Avio Facility in Colleferro that involve the use of radiogenic machines for X-Ray testing of propulsion system components are also subject to the requirements of Law No. 230/95, as amended, which regulates the possession and use of radiogenic sources.

An Internal Emergency Plan (IEP) was also prepared for the Avio S.p.A. plant in Colleferro, pursuant to Article 20 of Legislative Decree No. 105/2015. This document is designed to control and contain accidents, enacting the necessary measures to protect human health and safety and the environment from the consequences of major accidents, adequately informing workers and relevant local departments or authorities, and guiding the environmental restoration and cleanup in the wake of a major accident. Employees at the facility undergo awareness-raising, education and training on the IEP.

Collective agreements with General Workers' Representative Bodies (RSUs)

Agreements were reached relating to 2025 concerning reduction in working hours, the Smart Working indefinite-term agreement, the 2024-2025-2026 supplementary agreement, and agreements for company premises video surveillance.

Supplementary Agreement and Welfare Plan

In 2024, the first supplementary contract in Avio's history was signed, which will regulate a series of agreements made over the years and introduce a number of new items concerning working hours, work-life balance, travel, and corporate welfare.

The various initiatives were communicated to employees via email and were posted on the company intranet

Annual issue of a Merit and Development Policy and Career Plans

For 2024, the Merit and Development plan provided a total of 256 awards consistent with assignment/responsibility with respect to various business programs and 74 awards to operators. To cultivate the talents of particularly deserving staff and foster their growth within the Group, AVIO's Career Development Policy was also introduced in 2024, targeting staff members with high technical skills and aiming to place selected employees in managerial level positions based on their alignment with the requirements.

Any corrective actions necessary to prevent and mitigate the detected negative impact of "Potential Workplace Injuries and/or Accidents" are identified within the periodic internal meetings organised by the relevant company functions, within which any recorded injuries and corrective actions taken are discussed, as well as the status of progress about their implementation. Avio ensures that its actions do not adversely affect its workforce as only those with positive effects are taken into account in defining them.

The above actions were identified in order to increase the retention of its employees and ensure employees' well-being by mitigating the risk identified as relevant "Risks related to the loss of key personnel/critical skills and the inability to attract new talent" and pursue the opportunity "Increased business productivity through guaranteed employee well-being". The current organizational structure of the Human Resources Department is suitable to handle every facet, from hiring, to improvement in skills, to motivation, to performance evaluation of each employee on the job, and much more.

The above-mentioned actions are not the subject of specifically trackable and directly certifiable CAPEX/OPEX, but rather are included within the Group's general CAPEX/OPEX.

7.1.3 Metrics and targets

S1-5 - Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

In line with the above, as with other sustainability issues, Avio has prepared a set of objectives related to its own workforce, which in turn are broken down into a series of sub-objectives designed to guide the Group's actions. The Sustainability Plan is integrated with the Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company considered it appropriate not to disclose it. In this reporting, we therefore disclose the Plan's macro areas of intervention:

- Become a European leader for aerospace talent;
- Fostering corporate growth geared towards diversity and appreciating people's worth.

S1-6 - Characteristics of the undertaking's employees

Total number of employees (workforce) by country ⁶⁴					
Number of employees	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Italy	1,057	186	-	-	1,243
Europe	10	3	-	-	13
Non-EU countries	82	17	-	-	99
Total	1,149	206	-	-	1,355

Total number of employees (workforce) broken down by contract type and gender					
Number of employees	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Permanent	1,124	196	-	-	1,320
Fixed-term	25	10	-	-	35
Non-guaranteed hours	-	-	-	-	-
Total	1,149	206	-	-	1,355

Total number of employees (workforce) broken down by contract type and gender					
Number of employees	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Full-time	1,147	205	-	-	1,352
Part-time	2	1	-	-	3
Total	1,147	206	-	-	1,355

Total number of employees (workforce) broken down by contract type and gender					
Number of employees	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Outgoing employees	75	24	-	-	99
Turnover rate ⁶⁵	7%	12%	-	-	7.31%

S1-8 - Collective bargaining coverage and social dialogue

⁶⁴ Il numero di dipendenti è fornito in Headcount, tenendo in considerazione anche i dipendenti il cui ultimo giorno di lavoro risulta essere il 31/12/2024.

⁶⁵ The turnover rate is calculated by taking into consideration the total number of departures divided by the total number of employees as of December 31, 2024.

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The Group undertakes to promote the ongoing exchange of information and advice with trade unions on issues of common interest to ensure the well-being of its workers and the protection of their rights. Dialogue is conducted through constant liaison in order to promote a participatory corporate culture, ensuring constructive dialogue to achieve an ongoing understanding of the organisation's needs. The principles of transparency, independence and integrity underpin the relations maintained by the relevant corporate functions with trade union organisations. Seeking to ensure strict compliance with the legislation, Avio's employment contracts with its employees comply with applicable national and international standards.

Employees covered by collective bargaining agreements					
	GROUP	EEA (European Economic Area)		Outside of the EEA	
		Italy	France	French Guiana	USA
Number of employees	1,355	1,243	13	95	4
Number of employees covered by collective bargaining agreements	1,351	1,243	13	95	0 ⁶⁶
% of employees covered by collective bargaining agreements	99.7%	100%	100%	100%	0%
% of employees covered by employee representatives ⁶⁷	99.7%	100%	100%	100%	0%

S1-9 - Diversity metrics

Total number of employees by gender and employee category					
Employee category	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Executives ⁶⁸	44	5	-	-	49
Managers	287	63	-	-	350
White-collar	476	113	-	-	589
Blue-collar	343	25	-	-	367
Total	1,149	206	-	-	1,355
Percentage of executives	3%	0.4%	-	-	4%
Percentage of managers	21%	5%	-	-	26%
Percentage of white-collar workers	35%	8%	-	-	44%
Percentage of blue-collar workers	25%	2%	-	-	27%

Total number of employees by age group				
Employee category	At December 31, 2024			
	< 30	30-50	> 50	Total
Executives	-	12	37	49

⁶⁶ Referable to the subsidiary Avio USA Inc. to which collective bargaining agreements are not applicable.

⁶⁷ Agreements are negotiated directly with national or local unions representing the company's workers, where applicable.

⁶⁸ "Executives" are defined as employees whose qualification ranks one and two levels below the governing and supervisory bodies.

Managers	1	224	125	350
White-collar	152	371	66	589
Blue-collar	10	284	73	367
Total	163	891	301	1,355
Percentage of executives	0%	1%	3%	4%
Percentage of managers	0%	17%	9%	26%
Percentage of white-collar workers	11%	27%	5%	44%
Percentage of blue-collar workers	1%	21%	5%	27%

S1-10 - Adequate Wages

The Group updates its remuneration policies in line with updates to the regulatory framework, its Code of Ethics, and its corporate social responsibility principles. Through a merit-based remuneration policy, Avio pursues the objective of attracting and retaining professionally qualified people, developing their skills and capabilities, and supporting their sense of belonging through professional development and merit enhancement. In this regard, the Group has adopted a Remuneration Policy in line with market best practices, based on the principles of fairness, equal opportunities, and meritocracy. This Policy expresses Avio's commitment to creating development pathways for employees, managers, and workers that are based on a dedicated budget. Centrally defined by the Human Resources department, the Policy is subsequently shared and validated by General Management, which is responsible for signing off bonuses and setting overall thresholds in advance. Remuneration packages contain a balance of fixed and variable components. Fixed remuneration relates to how valuable the employee's role and/or skills are for the organisation, using the reference values of national collective bargaining agreements (CCNL) as a basis, in addition to routine pay analyses carried out by external specialised companies. These packages are complemented by a variable portion linked to the achievement of general company performance targets. In French Guiana, variable remuneration is also linked to the contributions owed to personnel in their capacity as spaceport workers according to the Site Agreements. The portion is appraised collectively with the Participation Bonus (PdP) and individually, for some employee categories, based on their achievement of the annual targets established for the Variable Bonus. Performance is appraised by the employee's line manager with respect to the established targets, in compliance with the principles of fairness, consistency, and objective judgement.

Number of employees who do not receive an adequate wage				
	European Economic Area ⁶⁹		Outside of the EEA ⁷⁰	
	Italy	France	French Guiana	USA
Number of employees	1,243	13	95	4
Number of employees who do not receive an adequate wage	0	0	0	0
% of employees who do not receive an adequate wage	0%	0%	0%	0%

⁶⁹ As reported within S1-8 - Collective Bargaining Coverage and Social Dialogue Group employees, with the exception of Avio USA, are 100% covered by collective bargaining. The relevant collective agreements comply with minimum wage requirements in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the European Union.

⁷⁰ For employees in French Guiana, French collective bargaining applies. For Avio USA employees, the minimum wage level is established based on an assessment of the wage level necessary for a decent standard of living.

S1-13 – Training and skills development metrics

With a view to appreciating and contributing to the development of its employees, Avio S.p.A. has defined a framework in its Corporate Quality Policy, within which it places employee appraisals and development systems and actions. The Group is specifically committed to appreciating and respecting its employees from the perspective of mobilising their expertise, motivation levels, and personal satisfaction.

Avio has developed two specific appraisal systems:

- the Performance Appraisal System, which includes an annual assessment of the performance of a subsection of the corporate population (white-collar and blue-collar employees without performance-based pay [VRL]). Appraisals focus on two targets: one organisational-behavioural objective, and a second role-based objective;
- the VRL/MBO system, concerning individual and company-wide targets set for the year. Appraisals are carried out by managers, who are responsible for assigning and sharing annual work targets with employees. The Appraisal System is explained in writing to the relevant individuals and all assigned targets and appraisals are tracked on a company application.

In recent years, a role-mapping process has begun through the adoption of the company's job description framework. Following on from previous years, the model was used in staff appraisals, and pre-promotion appraisals specifically.

TEMIS staff are assessed annually on their acquired skills and those required for the specific role set out in the job description. Assessments are performed using the Skills Matrix. In addition to providing a rating for each skill required for the specific role, the matrix also provides a space for comments and instructions on areas for improvement. In 2023, Temis joined the Avio Group's training plan, which gave it access to a much broader and more structured training offer.

The Career Committee continued to analyse roles and prospects for the professional development of all staff at Regulus. The Career Committee inserts the outputs of annual individual interviews and the main takeaways collected into a monitoring table.

Employees who participated in periodic performance and career development reviews					
Employee category	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Executives	4	1	-	-	5
Managers	84	11	-	-	95
White-collar	139	36	-	-	175
Blue-collar	67	7	-	-	74
Total	294	55	-	-	349

% of employees that participated in regular performance and career development reviews ⁷¹					
Percentage of executives who participated in periodic performance and career development reviews	9%	20%	-	-	10%
Percentage of managers who participated in periodic performance and career development reviews	29%	17%	-	-	27%

⁷¹ The percentages were calculated by dividing the number of employees, belonging to each category, by the total number of employees as of December 31, 2024.

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Percentage of white-collar workers who participated in periodic performance and career development reviews	29%	32%	-	-	30%
Percentage of blue-collar workers who participated in periodic performance and career development reviews	20%	28%	-	-	20%
Percentage of employees that participated in regular performance and career development reviews	26%	27%	-	-	26%

Total number of training hours by employee category ⁷²					
Employee category	At December 31, 2024				
	Male	Female	Other	Not disclosed	Total
Executives	906	150	-	-	1,056
Managers	11,676	2,102	-	-	13,778
White-collar	17,319	4,159	-	-	21,478
Blue-collar	6,755	352	-	-	7,107
Total	36,656	6,763	-	-	43,418

Average number ⁷³ of training hours by employee category					
Average hours of training - Executives	21	30	-	-	22
Average hours of training - Managers	41	33	-	-	39
Average hours of training - White-collar workers	36	37	-	-	36
Average hours of training - Blue-collar workers	20	14	-	-	19
Average hours of training - Total	32	33	-	-	32

S1-14 – Health and safety metrics

At Avio employee well-being is not only a moral duty, but key to successful performance at individual and Group levels. For this reason, the Group pays special attention to and invests a great deal of energy in managing occupational health and safety issues in order to keep injuries at its offices and production sites to a minimum.

In compliance with the regulations, the Group takes a preventive approach that consists of ongoing improvement to general measures to protect Occupational Health and Safety, activities to involve its employees so that they are consulted, informed, trained and made aware of the issue, and the development of research and technological innovation for the promotion of substances, products and processes that are increasingly aligned with the safety of workers and protecting their health. In addition, Avio is aware of the importance, on

⁷² Within the table, the hours of training carried out by blue-collar and white-collar trainees were not considered, which amounted to about 872 hours.

⁷³ The average training hours were calculated with respect to the total training hours carried out by employees in the categories for the total number of employees belonging to the same categories.

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the one hand, of also informing and raising awareness among suppliers and contractors, and on the other hand, of checking that their behaviours, practices and procedures are consistent with the principles of the Occupational Health and Safety (OHS) - Major Accident Prevention (MAP) Policy. The main risks assessed by the organisation concern the use of explosive and other hazardous materials used for launcher and missile propulsion systems and the corresponding regulatory changes linked to operating permits. Although various and specific activities are conducted in accordance with current regulations, the use and production of hazardous materials could give rise to accidents that, in addition to personal injury, could lead to delays or interruptions in industrial activities with possible negative effects in terms of reputation and on the equity and financial situation of the Group.

Workforce covered by health and safety management systems	
Number of employees	At December 31, 2024
	Employees
Employees covered by occupational health and safety (OHS) management systems	1,351
% of employees covered by occupational health and safety (OHS) management systems	99.7%

Work-related injuries and ill-health			
	At December 31, 2024		
	Employees	Other workers operating at the undertaking's sites	Total
Number of fatalities as a result of work-related injuries	0	0	0
Number of fatalities as a result of work-related ill health	0	0	0
Number of work-related incidents recorded	5	-	5
Number of hours worked ⁷⁴	2,332,343	-	2,332,343
Rate of recordable work-related injury ⁷⁵	2.14	-	2.14
Number of recordable cases of work-related ill health	0	-	0
Number of days lost due to work-related injuries	69	-	69
Number of days lost due to work-related ill health	0	-	0

S1-16 – Remuneration metrics (pay gap and total remuneration)

The following tables show the pay gap between male and female employees, in addition to the ratio between the highest-paid individual's remuneration and the median employee remuneration. Data regarding the gender pay gap and annual total compensation ratio have been provided for individual companies in the reporting scope to provide as accurate and transparent a cross-section as possible, as the various Group companies operate in different contexts, businesses and geographies. In addition, compared with the total number of employees, subsidiaries have a lower specific weight than the parent company⁷⁶.

⁷⁴ Also included within the hours worked figure are employees terminated during the year 2024.

⁷⁵ The recordable work-related injury is calculated as follows: (total number of injuries/hours worked) * 1,000,000

⁷⁶ Avio S.p.A. employees weigh in at about 90% of Group employees.

7778 Gender pay gap						
At December 31, 2024 Men/Women	Avio S.p.A.	AVIO French Branch	Temis ⁷⁹	Regulus	Avio Guyane ⁸⁰	AVIO France ⁸¹
% Gender pay gap ⁸²	3%	12%	14%	8%	36%	N/A

Total annual remuneration index ⁸³						
At December 31, 2024 €	Avio S.p.A.	AVIO French Branch	Temis	Regulus	Avio Guyane	AVIO France
Total annual remuneration index ⁸⁴	28.83	6.15	2.07	2.98	1.75	1.48

S1-17 - Incidents, complaints and severe human rights impacts

Incidents of discrimination		
	UNIT	at December 31, 2024
Incidents of discrimination, including harassment	no.	0
Complaints filed through channels for people in the undertaking's own workforce to raise concerns (including grievance mechanisms)	no.	0
Complaints submitted to the OECD National Contact Points for Multinational Enterprises	no.	0
Total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints, and a reconciliation of such monetary amounts disclosed with the amounts presented in the financial statements	€	0

Identified cases of serious human rights incidents		
	UNIT	at December 31, 2024
Number of serious human rights incidents related to the enterprise's workforce	no.	0
Complaints filed through channels for people in the undertaking's own workforce to raise concerns (including grievance mechanisms)	no.	0
Complaints submitted to the OECD National Contact Points for Multinational Enterprises	no.	0
Total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints, and a reconciliation of such monetary amounts disclosed with the amounts presented in the financial statements	€	0

⁷⁷ The figure regarding Avio USA has not been reported for confidentiality reasons.

⁷⁸ Data were calculated by annualizing the workable hours and vacations within the employees' relevant national collective bargaining agreements.

⁷⁹ The figure regarding Temis was calculated using the average number of days worked per month of 20 as a reference value.

⁸⁰ The figure regarding Avio Guyane was calculated using 1,721 average hours worked during 2024 as the reference value.

⁸¹ The figure cannot be calculated as there are no female employees within the company.

⁸² The gender pay gap was calculated on gross wages, excluding variable components.

⁸³ The figure regarding Avio USA has not been reported for confidentiality reasons (there are only four employees at Avio USA, two of whom are men and two women).

⁸⁴ The annual total remuneration index is calculated as the ratio of the total remuneration, including variable elements, of the highest paid person within each individual company to the median value of the remuneration including variable elements of employees excluding the highest paid person.

8.1 ESRS S2 Workers in the value chain

8.1.1 Strategy

SBM-2 - Interests and views of stakeholders

Safety and the protection of workers' rights represent key principles for the Avio Group, whose importance extend to the entire labour force connected to its activities, including workers in the value chain. Since the Avio Group operates in a market where issues related to potential human rights violations – particularly concerning worker safety – are present, it was considered necessary to highlight this topic, even if it is not strictly under the Group's control, considering this category of stakeholder in carrying out the Double Materiality Analysis, and when addressing the principles of business conduct. For more details, see ESRS 2 - SBM-2 - *Interests and views of stakeholders*.

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Positive impacts	Negative impacts	Physical risks	Opportunities
-	- Potential human rights violations along the AVIO Group's value chain, with particular regard to raw material suppliers operating in geographic regions or countries with less stringent regulations in this area (<i>potential; indirect</i>).	-	-

The discussion in this section is based on the results of the Double Materiality Analysis conducted in 2024, details of which can be found in *ESRS 2 - IRO-2 Description of the processes to identify and assess material impacts, risks and opportunities* of these financial statements. The analysis did not identify any material risks or opportunities regarding workers in the value chain but it did highlight one potential negative impact. This impact was formulated by considering the nature of the Group's operations, its core business, in addition to activities related to upstream material procurement and downstream product usage. Additionally, in assessing the existence of impacts along the value chain in this specific area, a context analysis was conducted focusing on the key players within the value chain. Specifically, this impact was deemed material – but not actual, as it is not directly linked to past events that have effectively occurred – because it relates to the fundamental ethical principles of the Group. At the reporting date, no regions or parties in the Group's value chain have been identified that present significant risks of human rights violations, nor specific categories of workers in the value chain that are particularly exposed to the identified potential negative impact. For a description of the Group's value chain and thus the main categories affected by these impacts, please refer to the information in section *SBM-1 - Strategy, Business Model and Value Chain*.

8.1.2 Management of impacts, risks and opportunities

S2-1 - Policies related to value chain workers

In relation to managing the identified impact, the following policies are present affecting workers in the value chain:

- *Code of Ethics*
- *Supplier Code of Conduct*
- *Supplier Charter of Ethics (Charte Etique Fournisseur)*
- *Organisation, Management and Control Model*.

For further details on the stated policies, please refer to the section: *ESRS 2 General disclosures - MDR-P Policies adopted to manage material sustainability matters*

In the event of the violation of the principles defined by these policies resulting in negative impacts on workers in the value chain, AVIO will undertake specific remedial actions for the violated right. To date, no cases of non-compliance with the terms of these policies or serious human rights violations against workers in AVIO's value chain have been reported to the Group, but AVIO is committed to progressively implementing increasingly systematic and comprehensive monitoring measures.

S2-2 - Processes for engaging with value chain workers about impacts

The company's current engagement with workers in the value chain is achieved, in relation to identified potential or actual impacts, through the plan to improve the process of monitoring ESG parameters of entities with which AVIO establishes business relationships. In line with the information above, AVIO's commitment to protect all workers related to its activities implies that the views of this group are taken into account in guiding the Group's business choices and conduct. In line with Avio's growing maturity toward this issue, the Group has set a goal of increasing engagement initiatives by formalizing structured ways to include the category more actively. For more information on stakeholder involvement, see *ESRS 2 - SBM-2 - Interests and views of stakeholders*.

S2-3 - Processes to remediate negative impacts and channels for value chain workers to raise concerns

In the Supplier Code of Conduct, AVIO invites suppliers to report any potential violations, express concerns or report incidents related to the possible violation of human and workers' rights through the internal reporting channel activated by Avio, the application methods of which are defined by the Whistleblowing Procedure. This tool is also available to workers in the value chain, and can be used to report possible violations with respect to human rights. The Group is committed to protecting anyone from retaliation, direct or indirect, against anyone who raises questions or concerns in good faith or assists in the investigation of alleged violations. For more information regarding the reporting channel and the related procedure, please refer to section *G1-1 - Corporate culture and business conduct policies*. In the event of any reports of negative impacts by the Group on workers in the value chain, AVIO is committed to remedial action as appropriate in each specific case. The Group has also set itself the goal of developing specific procedures capable of keeping track of these matters, which also define and enable the evaluation of any measures taken in order to remedy any negative impacts caused.

S2-4 - Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action

Within the value chain, presiding over the identified impact, AVIO works to extend its ethical principles to suppliers of goods and services. Specifically, the Group's Italian companies require their suppliers and sub-contractors, both international and Italian, on insertion as suppliers, to sign the company's Code of Ethics. If suppliers have a Code of Ethics of their own, the equivalence of its principles with the AVIO Group is verified. Suppliers managed by the companies in French Guiana, meanwhile are required to sign the Group's Charter of Ethics. For more information with respect to the Group's commercial supply management and supply chain, please refer to section *G1-2 - Management of relationships with suppliers*. To date, due in part to the nature of the business and the peculiarities of supplier relationships, there is no established system for selecting suppliers based on ESG criteria, although these are monitored at the selection stage wherever possible, including through the administration of the survey linked to the MANF form (for supplier register inclusion), where environmental and social data are collected through a check-list that suppliers must complete. The MANF module includes also an indication of whether there are Occupational Safety and Health Management Systems (OHSAS 18001 or ISO 45001), or Social Responsibility Management Systems that comply with SA 8000 or ISO 26000 standards. Selection of sub-contractors for flight components is made on the basis of individual ESA member states' contributions to the programme. In this case, compliance with local ethical-legal, social-environmental, occupational health and safety and environment laws is ensured by the mechanisms activated through the ESA for subcontractors from a European member country. Non-European subcontractors are an exception to this rule and are selected based on their expertise. For commodities, suppliers are selected on the basis of expertise in the specific commodity class. Commodities are procured in Europe, the USA, and Japan. In the pre-selection phase, suppliers undergo a verification process regarding their compliance with technical and industrial competence requirements, but more generally, their compliance with ethical-legal, environmental, social, and health and safety requirements is verified qualitatively.

Procedures are in place regarding the health and safety of subcontracted workers within the Group. These procedures define roles and responsibilities and establish a health and safety management system that includes training courses and external contractor audits related to health and safety compliance.

The actions defined are ongoing in nature and are not part of a specific Action Plan as they are integrated into current business management, and are part of the Group's growing commitment on the issue. However, the Group is moving toward structuring comprehensive and timely processes that allow not only for the accurate monitoring of such situations that may require AVIO's attention or action to remedy its actions, but also for tracking the actions implemented and evaluating their effectiveness.

The above-mentioned actions are not the subject of specifically trackable and directly certifiable CAPEX/OPEX, but rather are included within the Group's general CAPEX/OPEX.

8.1.3 Metrics and targets

S2-5 - Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

As previously indicated, the Sustainability Plan is integrated with the Group's Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company has deemed it appropriate not to disclose it. Currently the Avio Group has not identified specific targets related to workers in the value chain; however, the Group is committed to adopting a Human Rights Policy in order to promote compliance throughout the Group's value chain. Regarding the improvement of supply chain management in ESG, please refer to *G1-2 Management of relationships with suppliers*.

9.1 ESRS S3 Affected communities

9.1.1 Strategy

SBM-2 - Interests and views of stakeholders

The Group pays the utmost attention to the needs of the region in which it operates when conducting business. It seeks to extend the positive impact of its business to local communities. Indeed, the Group expresses its commitment to environmental protection and to the creation of value, protection and respect for the regions and communities affected by its activities. For more information regarding the involvement of this category in business processes, refer to *ESRS 2 - SBM-2 - Interests and Views of Stakeholders*.

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Positive impacts	Negative impacts	Physical risks	Opportunities
Support for local initiatives and collaboration with local governments and organisations to enhance the well-being and satisfaction of affected communities (e.g. engagement with the population of the Municipality of Colleferro, which creates and helps to foster relationships between residents and the local authorities, and protection of the industrial archaeological site) <i>(actual, direct)</i>	- Potential impacts on the safety of local communities in French Guiana and Perdasdefogu (Sardinia) related to launch activities <i>(potential; direct)</i>	-	-

During the Double Materiality analysis, carried out in accordance with ESRS 2 IRO-1 - *Description of the processes to identify and assess material impacts, risks and opportunities*, two significant risks were identified, while no significant risks were identified in relation to affected communities. These include:

- The Municipality of Colleferro, Lazio, located near AVIO S.p.A.'s operational sites and serving as a key hub for the Group's activities.
- The community of Perdasdefogu, Sardinia, near the launch site.
- The community of Kourou, near the Group's local site in French Guiana.

In relation to the identified potential negative impact, the exposure of these communities and their inhabitants is determined by the nature of business activities. Specifically, the impact correlates with the launch operations, which are at the core of AVIO's business. The impact's materiality is determined by the proximity of these communities to Group's sites involved in such activities. The Group recognises and is cognisant that the use of hazardous, explosive or comburent substances may cause impacts that could extend beyond the scope of the facility. The negative impact identified does not affect specific categories or groups, but members of affected communities.

Despite the clear dependency between Avio's business model and the impact, the Group adopts efficient and appropriate safeguards to protect all affected stakeholders, ensuring that its operations are conducted in full compliance with safety regulations. This impact assessment provides a high-level overview of possible local repercussions arising from AVIO's core business activities but is not based on specific past incidents or events. The positive impact represents the added value arising from by Avio's activities in its local areas. With a view to adding value to the link with the region and the local community, the Group has promoted several involvement and sponsorship initiatives in Italy to incubate technical skills in the space sector. The Group is also active in this regard through various initiatives promoted as part of development processes in Italy.

9.1.2 Management of impacts, risks and opportunities

S3-1 - Policies related to affected communities

The Code of Ethics expresses the Group's commitment to socially responsible behaviour, ensuring the protection of local cultures in the countries where it operates and conducting business with the highest safety standards, as well as respect for the human rights of the affected communities. In the event that violations occur, Avio is committed to taking appropriate remedial measures depending on the specific circumstances. The document also expresses the Group's intention to take on a proactive role in creating value, responding to the needs of affected communities by supporting and promoting social programmes and projects. For further details, please refer to the section: *ESRS 2 General disclosures - MDR-P Policies adopted to manage material sustainability matters*.

S3-2 - Processes for engaging with affected communities about impacts

As mentioned earlier, Avio employs various engagement methods with affected communities depending on the specific context. The main channels through which affected communities can be involved in the management of impacts are institutional: with regard to, for example, the communities of Colleferro and Perdasdefogu, Avio maintains an ongoing dialogue with the respective local administrations, which actively represent the affected communities, enabling the Group to have clear visibility of what their specific needs may be, and to respond effectively and in a timely manner when necessary. Given the characteristics of the affected communities by the Group's activities, there is no need to implement special safeguards aimed at protecting marginalized groups specifically or indigenous communities. Additional engagement activities include local initiatives organised by AVIO, such as partnerships and events. For more information on stakeholder involvement, see *ESRS 2 - SBM-2 - Interests and views of stakeholders*.

S3-3 - Processes to remediate negative impacts and channels for affected communities to raise concerns

The primary method for affected communities – or any other entity internal or external to Avio – to raise concerns about the company's conduct and file complaints is the reporting channel available on the company website and regulated by the Whistleblowing Procedure, which is publicly accessible. For further details, please refer to section G1-1 - *Corporate culture and business conduct policies*

S3-4 - Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

Both areas affected by the impacts that have emerged as relevant are central to the Group's operations and attended to on an ongoing basis, and therefore it is unnecessary to create a formalized Action Plan aimed at managing the impacts defined with regard to the issue at hand. Avio manages the potential negative impact identified by implementing all the main safeguards aimed at ensuring safety at its operating sites, in compliance with legislative regulations, while the positive impact is linked to the actions carried out by the Group regularly, in line with the objective of creating value for the communities expressed in the Code of Ethics.

In relation to the negative impact, the Group has implemented safety management systems defined in compliance with the Seveso III Directive and national transposition regulations (Legislative Decree No. 105/2015), in addition to a set of company procedures to ensure controlled use and management of substances classified as Combustive agents and Explosives in line with applicable laws and regulations. It also conducts all training activities to ensure the site safety for relevant personnel at sites subject to the regulations. Every building at the facility in French Guiana, all of which comply with local French legislation and are located at an appropriate distance from the city's urban center, are carefully monitored in terms of their impacts on local communities through the safeguards provided by the relevant Management Systems. At Regulus, the Industrial Management and the Safety and Environmental Service implement and maintain an appropriate management system in line with the relevant international standard. Safety information and training programmes for workers and refresher training for safety professionals are also defined and enacted.

Value creation in affected communities: sustainability and contribution to the scientific community

AVIO's commitment to social issues also comes through the Group's contribution to innovation and growth in the aerospace sector, as well as the promotion of sustainability in the scientific community. This is reflected in

the various activities undertaken in 2024, and the achievement of various awards. Specifically, in 2024 we highlight:

- Participation in the Space Meeting, a conference dedicated to the supply chain in the aerospace industry, where AVIO was able to discuss topics such as sustainable innovation and new propellants.
- The sponsorship, as a silver sponsor, of the International Astronautical Congress 2024, where AVIO presented the "Vega Mission 2.0" - a 3D experience (signed by Avio) of a Vega C launch. The Chief Executive Officer gave an interview related to sustainable innovation for Sky Tg24's new program "Countdown - From Space to Earth".
- Attendance at World Space Business Week 2024, held in Paris on September 16-18, where the Chief Executive Officer spoke on the panel "Thrust and Trust: Enabling Space Transportation".
- Participation in the exhibition "Italian Patents. Successful Inventions and Innovations" where AVIO was selected by the Ministry of Enterprise and Made in Italy.
- The ASEAN Delegation Visit, hosted by AVIO at its Colleferro facilities as part of the "ASEAN-Italy Cooperation Initiative on Space and Smart Technologies".
- The organisation of the "Vega Day" Event, which involved the Italian Embassy in France, AVIO's Chief Executive Officer, the Director General of the ESA, the Chairperson of ASI and the CEO of Arianespace. In addition to celebrating 12 years of operation of the Vega space launcher, the event focused on the prospects for the return to flight and commercialisation of the enhanced version of the launcher, Vega C., a key event for aerospace development in Europe. In commemoration of Vega's first flight, the video "Oltre il limite del Cielo - La storia di Vega" ("Beyond the Sky's Limit - the Story of Vega") was also made with the collaboration of the Strategic Advisor on Special Projects.
- An interview with the Chief Executive Officer and the Launch Systems Preparation Manager for Quasar, a popular science program on Rai2, in collaboration with Leonardo Foundation.
- Participation in the conference "Dall'essere umano all'essere sostenibile" ("From being human to being sustainable") held in Rome on May 21 at the Chamber of Deputies, under the sponsorship of the Ministry of the Environment. The Legal Business and Sustainability Director gave a talk related to the integration of the strategic plan and the sustainability plan.
- Inclusion in the list of 240 companies particularly active in the field of sustainability compiled by Statista and Il Sole 24 Ore.
- Recognition as a "Conscious ESG Identity" as part of the Identity Corporate Index (ESG.ICI) 2024, a project that seeks to measure the degree to which ESG factors are integrated into corporate governance and identity.

AVIO's contribution to the scientific community derives, first and foremost, from the work of the Group's people. In honour of the contribution of an engineer who passed away prematurely, AVIO therefore renamed the M10 and M12 engines as the MR10 and MR12 in his honour, and named a meeting room in his memory.

Promotion of gender equality in the scientific community

2024 saw the organisation of several initiatives aimed at bridging the gender gap in engineering and STEM disciplines. In particular, on the occasion of International Women in Engineering Day, several activities were held, including a photo collage of women engineers in AVIO which sought to give voice to all generations of women in the Group. The Group also participated in the STEM Girls Virtual Job Meeting. At the Aerospace Festival, AVIO gave a talk on the same topic. As part of the "International Day for the Elimination of Violence Against Women" AVIO joined a public awareness campaign on women's rights and against gender-based violence by posting a card on its social media. As evidence of the Group's commitment to this issue, activities dedicated to obtaining a certification on gender equality were also initiated in 2024, which included the creation of the Gender Equality Steering Committee.

Local community initiatives

AVIO has always been committed to creating value in the territories that host its activities. Several activities in 2024 did indeed affect the Colleferro community. In 2024, the "Via Romana" - which connects the Scalo district to the town centre - was transferred to the Municipality of Colleferro. The road is now open to public traffic, improving urban mobility. The agreements continued to transfer areas of land near Via Ariana to the Municipality of Colleferro, where a cycle path will be constructed. The first tranche opened on August 31, 2023. Also of note is the realisation of the AMOI (Advanced Material Open Infrastructure) Investment Project to build

a new research infrastructure dedicated to Key Enabling Technologies, advanced materials, in the municipality of Colleferro, which was presented as part of the New Space Economy Expo Forum. The transfer of a free loan to the BPD Club Sports Association, which was established in 1937 and owns the area where the tennis facilities are located, is ongoing. The Company also provides water and energy services to the association for the benefit of sports programmes open to Avio Group employees, their families, and the wider community.

The year 2024 also saw AVIO's participation in activities carried out as part of the celebration of the 90th anniversary of the founding of Colleferro, which will continue through 2025. These include opening the museum area to schoolchildren and scheduling a number of guided tours in the factory and museum areas. A visit to the old workstations combined with a rally aimed at classic cars and motorcycles has already taken place, which was attended by AVIO and Se.Co.Sv.Im. Additionally, 2024 saw the drafting of a book documenting historical accounts of the old explosives plant, set to be published in February 2025. In 2024, AVIO also participated in the "Nuotando con Amore" ("Swimming with Love") initiative, promoted by AISM Rome, the Italian Multiple Sclerosis Association, to raise funds for research and increase awareness of the condition. On the same theme, AVIO organised a day dedicated to raising funds for research on this condition through the sale of bags of apples, which raised approximately Euro 1,045. The Group also sponsored the "Echo of Silvia Day" charity event in memory of the founder of the "Echo of Africa Ayanalem Onlus" Association, which featured several speeches on the topic and a dinner with proceeds going to the Association's projects in Ethiopia.

In the Colleferro area, the Company also promotes the enhancement of natural sediment and the protection of green areas. Sunflower and medical herb crops are renewed periodically on the industrial boundaries. As a result of the preservation work carried out, the development of fauna also shows signs of settling down and territorial integration. Regarding this issue, we also report a Team Building day on environmental sustainability, held in Colleferro, dedicated to raising employee awareness of the issue.

Regarding the community of Perdasdefogu, the Company also engages locally through the sponsorship of local sports teams. As for French Guiana, on the occasion of Vega C's return to flight, a guided press tour was organised in collaboration with RAI, ASI, ANSA, SKYTG24 and various international media outlets, concluding in Colleferro. In Guyana, the naming of a street was also obtained in 2024 from the French Space Agency, to be named after another beloved engineer who died prematurely. A number of activities and initiatives affecting the Kourou community are also carried out, managed primarily by the Space Center in a centralized manner.

Relationships with students and academia

The AVIO Group has maintained strong ties with universities, actively promoting and supporting several activities that seek to foster a culture of innovation and research, and the pursuit of scientific projects with the contribution of academics and experts.

In 2024, AVIO renewed its participation in the "Aerospace Job Talks" campaign, designed by the HR Learning Team together with a recruitment company and the Italian Space Agency in collaboration with the Municipality of Colleferro, whereby AVIO organised the AVIO JOB TALKS meeting, with the aim of bringing young people closer to the aerospace sector. During the year, several meetings with graduates and undergraduates were also organised, including at the Colleferro operating headquarters: of particular note was the visit by Campus students from various Italian cities, who were able to attend several meetings held in collaboration with Human Resources, aimed at introducing them to the aerospace industry. AVIO was also present at the Universities of Roma Tre, La Sapienza and Tor Vergata, where workshops dedicated to aerospace engineering were held. The event "Wisdom meets AVIO: Launch your career in Space!" dedicated to meeting with undergraduates in various engineering disciplines seeking to introduce them to the professional prospects offered by AVIO. The Group also participated in various career days, including one held by Universitas Mercatorum. The Company has also collaborated with the GLOCALItaly association, which selects and prepares university students who are then called upon to present what they have learned to the relative schools, Enterprises and members of the Public Administration. The Group also took part in the New Space Economy event at Fiera di Roma, which involved meetings with students in collaboration with ASI, ESA, the Lazio Region, universities and the Municipality of Colleferro. Visits were also organized by university institutions such as La Sapienza University at Regulus.

On January 31, 2024, AVIO won first prize as part of the "ITS4US" Project, an initiative to bring young people closer to the world of work and professions. The company also participated in university-related initiatives and events, such as FlyFuture, a job fair focused on the aerospace and aviation industries held at the European University of Rome, and the Galileo Festival at the University of Padua, which is dedicated to science and innovation. During the latter, AVIO had the opportunity to discuss the relationship between business and the new challenges and opportunities offered by sustainability topics.

The above-mentioned actions are not the subject of specifically trackable and directly certifiable CAPEX/OPEX, but rather are included within the Group's general CAPEX/OPEX.

9.1.3 Metrics and targets

S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

As with other sustainability issues, Avio has prepared a set of goals related to this issue that guide the actions taken by the Group. The Sustainability Plan is integrated with the Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company considered it appropriate not to disclose it. We therefore disclose the Plan's macro areas of intervention:

Regarding the identified positive impact, AVIO has prepared two high-level targets, namely:

- Promote listening within the territory;
- Prompt action with respect to the communities in which Avio operates.

The goals were formulated by considering the perspective of the affected communities, seeking to best capture the feedback received with respect to what has been done to date and to contribute even more effectively to the well-being of the community. Regarding the potential negative impact identified, the AVIO Group has set the goal of “zero events with potential risk of major accidents”, managed through the actions described in section S3-4.

10.1 ESRS S4 Consumers and end-users

10.1.1 Strategy

ESRS 2 SBM-2 – Interests and views of stakeholders

For the AVIO Group, end users are a key stakeholder. Given the Group's context and the characteristics of the market in which it operates, the relationship with customers in most of its business lines is almost exclusively within Europe. For more details regarding the involvement of this stakeholder category in business processes, please refer to *ESRS 2 – SBM-2 – Interests and views of stakeholders*.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Positive impacts	Negative impacts	Risks	Opportunities
<ul style="list-style-type: none"> - Adoption and presence of management systems and measures to protect sensitive data and information (<i>actual, direct</i>) 	<ul style="list-style-type: none"> - Potential loss or leakage of sensitive data (<i>positive, both</i>) 	<ul style="list-style-type: none"> - Risk of loss of confidentiality of information and/or sensitive data, leading to operational disruptions, particularly concerning customer and end-user information - Risk of poor product quality for customers or third parties, which could lead to failures affecting health and safety of individuals 	-

The AVIO Group does not sell its products to direct end-users. For the purposes of the double materiality analysis conducted, therefore, no direct impacts on this category emerged or were considered. Rather, the impacts identified refer to the Group's customers, who are particularly affected by the proper handling of information and cybersecurity given the nature of the business in question, and to their workforce, as they are composed of workers who directly use the products provided by the Group, thus representing the category affected by risks related to personal security. The identified impacts affect the main categories of AVIO's service consumers, such as the European Space Agency, the Italian Space Agency, the AVIO Group's business partners, players in the European defence sector and, following developments in 2024, certain stakeholders in the United States. For more information regarding the Group's customers and AVIO's value chain, please refer to section *SBM-1 – Strategy, business model and value chain* in *ESRS chapter 2 – General disclosure*.

The Avio Group considers it essential that its relationships with its customers are based on the pursuit of maximum transparency and fairness, in its constant commitment to satisfying their expectations. In light of these principles, and considering the views of certain end users who participated in the impact assessment process, the Double Materiality Analysis identified two impacts, one positive and one negative, both direct and linked to the topic of confidentiality. In particular, the negative impact, which is potential, highlights the importance of proper data management by the AVIO Group, given the nature of its services and business relationships, but does not refer to any past events. The positive impact, on the other hand, is linked to key actions taken with regard to legislative compliance and cybersecurity.

The Double Materiality Analysis also identified two significant risks related to confidentiality, which are closely tied to the impacts identified, in addition to a risk concerning customer health and safety, which is not dependent on the identified impacts but rather on the nature of AVIO's business. Both the impacts and risks were assessed based on an analysis of the company's business context, sales processes and value chain. No material opportunities related to this topic emerged from the analysis. For further details regarding the Double Materiality Analysis, please refer to *ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities*.

10.1.2 Management of impacts, risks and opportunities

S4-1 – Policies related to consumers and end-users

Identified impacts and risks are managed through the following policies:

- *Code of Ethics*
- *Inside Information Processing Policy*
- *Cyber Security Policy*
- *Data Breach Management Policy*
- *Corporate regulations for the use of information systems*
- *Quality Policy*
- *Quality, Occupational Health and Safety and Environmental Policy (Politique en matière de Qualité, de Santé et Sécurité au travail et de respect de l'Environnement)*
- *Quality of Life and Working Conditions and Prevention of Major Accidents (Qualité de Vie et des Condition de Travail et la Prevention des Accidents Majeurs)*

For further details, please refer to the section: *ESRS 2 General disclosures – MDR-P Policies adopted to manage material sustainability matters*. These policies were formulated with the views of the relevant stakeholders in mind. In the event of the violation of the principles defined by these policies resulting in negative impacts on Human Rights of the final consumer, AVIO will undertake specific remedial actions for the violated right. To date, there are no reports of any relevant incidents in this regard.

S4-2 – Processes for engaging with consumers and end-users about impacts

The Group seeks to satisfy its customers by attempting to anticipate the needs of current and prospective customers to create value in the short, medium and long term. The perspective of this category is therefore crucial for AVIO, which it promotes through its corporate website, dedicated meetings and the distribution of brochures. For more details, see *ESRS 2 – SBM-2 – Interests and views of stakeholders*. The Group also considers it essential that its relationships with its customers are based on the pursuit of maximum transparency and fairness, according to the principles outlined in the Code of Ethics. In this regard, and as required by the quality management system, AVIO undergoes customer satisfaction assessment, once the metrics for evaluating its performance have been agreed with said customers. The results of these surveys are periodically analysed, and where any critical issues emerge during the commercial phases before the signing of supply contracts and implementation, these results allow improvement action plans to be developed. Given the nature of Avio's business and the Group's customers, there is no indication of user categories with particular vulnerabilities to the identified impacts that may require the implementation of specific ways of engagement.

S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

The potential negative impact identified in relation to the loss or leakage of sensitive data is managed in accordance with the Data Breach Management Policy, which provides for the reporting of incidents to the Privacy Guarantor in compliance with the GDPR (General Data Protection Regulation) and, in the case of incidents with particularly significant and complex effects, the communication to third parties and direct stakeholders.

Regarding the reporting of any critical issues, including for customers and end consumers, the principal method available to report wrongdoing or raise complaints against the Group is through the reporting channel available on the corporate website governed by the Group's Whistleblowing Procedure. For further details, please refer to section *G1-1 – Corporate culture and business conduct policies*. Regarding customer complaints specifically related to products supplied by the AVIO Group, reports can also be made directly by contacting the relevant departments

identified in the contract. These departments are then responsible for managing the complaint.

S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

In relation to the identified impacts, which affect the protection of sensitive data protection and cyber security, AVIO implements various controls and safeguards.

With regard to the protection of sensitive data, AVIO conducts activities to identify vulnerabilities in its IT systems each year. 2024 saw the conduct of a Cyber Security Remediation Plan, under which activities pertaining to awareness development, increased security measures, review of PSNC systems and training were carried out. Specifically, all AVIO S.p.A. employees are required to complete online courses as part of an ongoing cyber security training programme, which includes a final assessment. Special attention is also paid to cyber security training for company management.

There is also a Business Continuity Plan, which details the process of business continuity management to be implemented should a crisis situation arise and includes the Recovery Plan for ICT infrastructure. AVIO also has procedures in place designed to manage data backup and restoration processes. In 2024, the company also worked on restructuring its IT department and developing plans to integrate changes brought by the approval of the NIS2 Directive. Additionally, in 2024, the IT department's resources were increased through additional funding and a dedicated employee was designated to managing them. Finally, the company obtained certification for its CyberEssentials IT environment, covering external IT processes in terms of processes, procedures and technologies.

In contrast, the risk encountered regarding customer health and safety related to the quality of the products offered is mitigated by the presence of various safeguards implemented by the Group, which do not necessitate a specific Action Plan to date as they are attentively monitored on an ongoing basis given the nature of the Group's business. Every implementation process that goes into the design, development and creation of a product or service, along with the auxiliary or supporting processes, is mapped using quality management systems that meet the ISO 9001:2015 and EN 9100:2018 standards respectively for Avio S.p.A. (ISO 9001:2015 for Regulus). These certifications were renewed for AVIO S.p.A. in March 2023 through audits by the certification body Rina with three-year validity (March 2026).

Firstly, all products are subject to a hazard analysis carried out by Avio S.p.A. (which has "design authority" over the products) to assess their health and safety risks. For products in development, the process relates to the level of maturity. The quality and safety of AVIO's end products are also monitored throughout all phases of development, including safety requirements of a mandatory nature and are therefore derived from national or international laws or those of the country in which the operational life of the product will take place.

In the process to introduce a new product (set out in the Quality System Procedures), requirements or objectives concerning safety, the environment, availability, maintainability and reliability are identified in the early stages of development and tracked as early as the high-level specifications.

During the development and qualification process, alongside the issue of the design baseline, the status of justification, verification, and requirements validation is subject to design review, and any remaining critical issues are examined and assessed during the implementation status. For operational applications, review is normally carried out by government agencies using a principal process of enabling or disabling transactions involving the product and/or its operation. Product Engineering is responsible for ensuring that the product complies with the requirements, and signs off on its qualification status alongside the Product Quality Manager. The process of establishing a product's conformity with requirements is organised throughout the chain of technical responsibilities, which corresponds to the product's technical organisation chart.

In accordance with contractual requirements, when selling its products (components, assemblies or integrated launchers), the Group must certify their compliance with requirements and highlight any deviations using the Register of Individual Controls (RCI). The compliance status of a product under development (including as regards safety requirements) is identified at key design review events through the compliance status tracked in the "compliance matrices", which are often gathered in the "Verification Control Document" or the Justification Dossier. The status of critical issues (particularly as regards operational security) is tracked in the Critical Item List booklet. These records, which are may potentially be revised during the development phases, become final during qualification and/or certification. Since the company's industrial activities involve chemical products - the use of which is subject to legal requirements both in terms of personnel and safety and environmental impacts - any regulatory changes in this regard may require industrial adjustment measures to protect the environment and ensure safety, which may in turn have economic consequences and affect business continuity. The Quality Department is responsible for monitoring the quality of the product and business processes and certifying that the product produced conforms to the requirements set out in the project. This Department works closely with the Technical Bodies responsible for preparing and validating technical files that certify the conformity of manufactured components with acceptance specifications.

In ensuring the quality and safety of AVIO's final products, extreme importance is attached to training. Specifically, the Group offers various structured training courses related to this topic: "general", training on quality management concepts, "targeted", training on specific specialised activities, and "technical training",

for personnel whose operational skills impact product quality, including qualifications in accordance with applicable regulations.

The above-mentioned actions are not the subject of specifically trackable and directly certifiable CAPEX/OPEX, but rather are included within the Group's general CAPEX/OPEX.

10.1.3 Metrics and targets

S4-5 - Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

In line with the above, as with other sustainability issues, Avio has prepared a set of objectives related to its own workforce, designed to guide the Group's actions. The Sustainability Plan is integrated with the Strategic Plan, and given the fact that the publication of the Strategic Plan is not required by law, the Company considered it appropriate not to disclose it. Given the nature of the impacts and risks identified, and in view of the Group's focus on these risks as they are implicated by its business activities, no specific targets are reported to 2024. In fact, most of the actions discussed are carried out on an ongoing basis as an integral part of quality assurance of Avio services. However, we note that the actions initiated in 2024, particularly regarding the strengthening of cyber security measures and the updating of existing procedures, will also extend into 2025 as part of a structured three-year plan. This plan seeks to align with the changes introduced by the NIS 2 Directive, which updates European legislation on network and information security.

INFORMATION ON GOVERNANCE

11.1 ESRS G1 Business conduct

11.1.1 Governance

ESRS 2 GOV-1 - The role of the administrative, management and supervisory bodies

See for information on the role of governing bodies concerning the conduct of business refer to the section *ESRS 2 General disclosures GOV-1*

11.1.2 Management of impacts, risks and opportunities

ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

The Avio Group is a global leader in the aerospace sector. 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 Colleferro 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).

Following the Double Materiality process, which is referred to in *ESRS 2 General Disclosures IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities* for further details, the following impacts, risks and opportunities relevant to Avio regarding business conduct were identified:

Positive impacts	Negative impacts	Risks	Opportunities
<p>Managing the AVIO Group's operations in compliance with the principles of legality, transparency and integrity, in line with the Group's Code of Ethics, 231 Model and applicable aerospace and defence regulations (<i>actual, direct</i>)</p> <p>Improving the supplier selection and monitoring system based on environmental, social and governance parameters (<i>actual, direct</i>)</p> <ul style="list-style-type: none"> - Ensuring appropriate payment practices for suppliers to maintain good relationships with business partners and business continuity (<i>actual, direct and indirect</i>) - Potential corruption cases that may occur throughout the Avio Group value chain, considering countries of operation and suppliers (<i>potential, direct and indirect</i>) 	-	<ul style="list-style-type: none"> - Risk of non-compliance with applicable industry regulations and/or country-specific regulations where the Group operates; - Risk of non-compliance with market abuse regulations - Risk linked to the management of classified information 	<ul style="list-style-type: none"> - Reputational advantage thanks to ESG monitoring of the entire value chain and the adoption of responsible business practices

G1-1 - Corporate culture and business conduct policies

To manage its material impacts, risks and opportunities related to its own workforce, the Group has adopted a series of policies:

- *Code of Ethics;*
- *Whistleblowing procedure;*
- *Supplier code of conduct;*
- *Organisation, management and control model;*
- *Anti-corruption code;*
- *Internal dealing policy;*
- *Related party transactions procedure;*
- *ITAR and EAR materials management procedure;*
- *Inside information processing policy.*

For further details on AVIO's policies, please refer to section: *ESRS 2 General disclosures - MDR-P Policies adopted to manage material sustainability matters*

Management Model, Code of Ethics and Company Policies on Corporate Culture

Integrity and anti-corruption are core values for the Group, embodied in a corporate governance and policy model based on ethical principles and a commitment to fair and transparent business management, designed to counter any risk of corruption in accordance with the regulatory framework and with the Code of Ethics.

Avio adopts a management and organisational model based on ethics, quality, innovation, and safety. This shared foundation is reflected both in the Group's Code of Ethics and various corporate Policies, as well as in management and control instruments. These include risk management operations and the adoption of

procedures that monitor the conduct of Company activities, ensuring that the Company acts in the best interests of all stakeholders and the community in general, as enshrined in the Group's Code of Ethics.

The Group's Code of Ethics therefore seeks to identify and express to its recipients the values and standards of conduct to which they must adhere when carrying out the Company's activities and interacting with those with whom the Group does business (stakeholders, customers and suppliers).

The Code of Ethics applies to the entire Avio Group and defines the principles of conduct that constitute the practical articulation of the ethical principles to which all recipients of the Code of Ethics must adhere. Along with the policies, the Code of Ethics also identifies the Company's appointed bodies to monitor and control the application of the principles of conduct and the undertakings and responsibilities of employees, and constitutes the programme to ensure effective prevention, including in terms of health, safety, hygiene and the environment.

The Code of Ethics is addressed to the corporate bodies of Avio S.p.A. and its subsidiaries, to all employees of the Group companies and to all other individuals or companies that act in the name and on behalf of one or more Group companies or with which it maintains long-term business relations (suppliers, consultants, experts, agents and dealers). By accepting and signing the Code of Ethics, all recipients undertake to observe the values set out therein.

Each individual is required to abide by the laws and regulations applicable to the various geographic contexts in which Avio operates, and to conduct themselves in accordance with the terms of the Code of Ethics.

The Code of Ethics is the guidance to be followed in order to stimulate and maintain the Company's sense of belonging and its ability to compete fairly on the market, improve customer satisfaction, increase shareholder value, and foster the skills and the human and professional development of its staff. It constitutes a fundamental element of the organisational model of internal control, which the Avio Group is committed to strengthening and implementing on an ongoing basis.

AVIO is committed to promoting an anti-corruption culture by adopting preventive measures, including the implementation of a standards-compliant model, while also cooperating with sector associations such as Transparency International and AITRA (the Italian Transparency and Anti-Corruption Association).

Avio has implemented a Whistleblowing Procedure to regulate the management of the process of receiving, analysing, and processing reports of possible offences, unlawful conduct, and, more generally, any anomalous behaviour or action contrary to Company policies.

An external report can be submitted through the channel established and accessible via the ANAC website, for the following violations:

- the internal reporting channel described in the Procedure is not active;
- the Whistleblower has already made a Report through the channel indicated in the Procedure and this has not been followed up;
- the Whistleblower has reasonable grounds to believe that, should s/he make an internal Report through the channel described in this Procedure, the Report would not be acted upon or the Report could result in the risk of retaliation;
- the Whistleblower has reasonable grounds to believe that the Breach being reported may pose an imminent or obvious danger to the public interest.

In line with the provisions of the Whistleblowing Decree, the Company has enabled an internal reporting channel, described below. This, by means of a specific platform adopted by Avio, allows reports to be sent electronically in written form and guarantees - 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. The channel is accessible to all internal and external Group stakeholders, including suppliers, the value chain, end-users and members of communities affected by Avio's activities. Although there are no formalized procedures designed to verify the awareness of all categories of stakeholders, Avio promotes the use of reporting tools by making them public and easily available on its website. The platform, available at the link <https://areariservata.mygovernance.it/#!/WB/Avio>, can be accessed through the Group's website, via special section <https://www.Avio.com/corporate-governance>. To ensure the visibility of these tools, it is required that employees of all Italian companies, including newly hired

employees, sign the 231 Model and therefore the Whistleblowing Procedure for acceptance. The Supplier Code of Conduct also includes references, inviting suppliers to use the reporting channel when necessary.

The Whistleblowing Decree provides the following protections for the Whistleblower and Related Persons:

- prohibition of retaliation because of a Report;
- support measures, consisting of information, assistance, and free advice from third-sector entities listed on the ANAC website regarding reporting methods and regulatory provisions for the Whistleblower and the Person Involved;
- protection from retaliation, including:
 - o the right to inform ANAC of retaliation believed to have been suffered as a result of a Report;
 - o the annulment of acts taken in violation of the prohibition of retaliation, which is also enforceable in court;
- limitations on liability in the event of disclosure (or dissemination) of breaches covered by the secrecy obligation or relating to the protection of copyright or personal data protection or information regarding breaches that harm the reputation of the person involved or reported, if, at the time of the disclosure (or dissemination), there are reasonable grounds to believe that disclosure of the Breach was necessary;
- limitations on liability, unless the act constitutes a crime, for acquiring or accessing information on Breaches;
- penalties.

Training on whistleblowing, in general, is included in the staff training plans on compliance provided by the Company.

In addition to the whistleblowing procedure for handling reports from whistleblowers, AVIO has adopted a set of principles and procedures, such as the Anti-Corruption Code, the Code of Ethics and the Organisation, Management and Control Model (231 Model). These establish the methods for conducting independent and objective investigations, in addition to the objective sanctions related to non-compliance and incidents concerning business conduct, including incidents of corruption and bribery.

The functions most exposed to corruption risk are those that deal with customers and suppliers, as well as with the public administration. Through the Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001 and the Anti-Corruption Code Avio applies measures to prevent and monitor risks in this area. In addition, materiality audits pursuant to Legislative Decree No. 231/01 are provided for within the Audit Plan approved by the Board of Directors to strengthen the control safeguards.

The 231 Organisational Model is disseminated and communicated through continuous information and training of personnel, delivered both in e-learning mode and through in-person attendance at classroom courses. In addition to training for at-risk persons, the Code of Ethics and the 231 Model and their periodic updates are submitted for signature for acceptance by all employees, including new hires, of Italian companies.

Regulus, on the other hand, has communicated the Charter of Ethics to all staff, including new hires, since 2022, despite not offering ad hoc training courses on these topics.

Avio's Human Resources Department, with the operational support of the Human Resources function from each Group company, is responsible for defining the annual employee training plan on the contents of the Anti-Corruption Code.

G1-2 - Management of relationships with suppliers

Responsible supply chain management plays a key role in improving the competitiveness of the AVIO Group, which carries out careful selection towards its suppliers in order to ensure sustainability and relative traceability of supplies.

AVIO has a complex supply chain with suppliers and partners of various sizes, with different responsibilities, locally and/or internationally. Relations with all suppliers are fundamentally based on maximum cooperation. Given the particular business in which AVIO operates, building long-term partnerships is necessary in the vast majority of cases. The supply chain is divided into three macro areas:

- **Direct:** i.e. suppliers who provide parts or raw materials needed to complete a sub-assembly; **System suppliers:** i.e. suppliers who provide a complete sub-assembly of which they often also have design authority (i.e. flight computers, complex structures, implementation, etc.);
- **Indirect:** that is, suppliers who provide products or services that do not contribute to the finished product but are necessary for the operation of the factory (i.e. logistics, ICT, maintenance, etc.).

The Group manages business relations with suppliers according to specific procedures defined within the Management System and selects suppliers based on their ability to offer quality, innovation, cost and services. As set out in the company's Code of Ethics and in Regulus' Charter of Ethics, the performance indicators that guide the Group in choosing suppliers are based on appropriate and objective methods, taking into consideration, in addition to quality, innovation, costs and services offered, the subjective requirements of integrity, reputation and professionalism.

Considering the business sector in which it operates and the uniqueness of its supply chain, the absence of any past or present suspicion of involvement in terrorist activities or subversion of public order is of particular importance in supplier selection. Avio is committed to verifying that suppliers are not included in the reference lists for entities linked to international terrorism, i.e. in the "Black Lists" issued by the European Community, the U.S. Treasury Department and the UN, to help prevent and combat money laundering and the financing of international terrorism.

The Avio Group guarantees all suppliers equal opportunity and equal treatment in the negotiation, conclusion and execution of contracts in terms of the availability of information, supply terms and conditions, and technical decision-making criteria. In particular, as far as inclusion in the Supplier Register is concerned, the Group's Italian companies require their suppliers and sub-contractors, foreign and Italian, to sign, at the same time, the company's Code of Ethics, or if they have one of their own, its equivalence is verified, as well as the Anti-Corruption Code, the management code and the organisation, management and control model. Suppliers managed by the companies in French Guiana, meanwhile are required to sign the Group's Charter of Ethics.

Regulus manages its suppliers independently, adopting the principles and guidelines issued by the parent companies (Avio S.p.A. and Ariane Group). In 2021 Regulus also adopted a Supplier Charter of Ethics (*Charte Etique Fournisseur*) to include clauses on respecting human rights, the principles of the anti-corruption code, and the values of social responsibility and sustainable development in its contractual relations. Regulus requires that its suppliers hold a Fiscal and Social Regularity Certificate and that they accept the general purchasing conditions of the Supplier Charter of Ethics (*Charte Etique Fournisseur*).

The Group pursues a policy of preferring suppliers with whom it has established long-standing relationships and who have participated with similar products in other launcher development programmes. Due to the nature of aerospace products, subcontractors and major suppliers undergo a certification process. Relations with these parties are managed mainly with multi-year contracts to ensure production continuity for these suppliers, and to deliver economic benefits associated with higher volumes. In the event of serious non-performance or inefficiency of strategic suppliers or their unavailability, the Group required to replace them. To limit such occurrences, where economically feasible the Group has adopted a dual sourcing supplier selection policy, which provides for the availability of two suppliers. AVIO's Quality Management System contains a set of procedures that outline the operating procedures related to purchase requisitions, bid assessment and supplier selection, in addition to the issue and approval of orders, activities that are the responsibility of the Purchasing department.

In 2024, Avio adopted a Supplier Code of Conduct to ensure compliance with its ESG KPIs along the entire supply chain. Signature of the Code is required of all new suppliers. In 2021, Avio decided to participate in an initiative promoted by the company CRIF, proposing itself as Lead Partner. Membership of the initiative seeks to invite suppliers in the registry to obtain the CRIBIS ESG certificate, an internationally recognised certification of sustainability levels. The initiative requires attention and commitment on the part of the Company, which has foreseen the need to commit additional internal resources dedicated to monitoring this system.

When assessing suppliers, an economic-financial and reputational analysis is always carried out by means of dedicated tools such as "Cribis" or "Cheope". Contracts are awarded in line with companies' annual budgets. The environmental assessment is part of the initial information provided through self-certification by suppliers on registration through MANF (Supplier Master Data Form). Through the MANF, safeguards for managing issues such as corruption, compliance with health and safety requirements, cyber security and social responsibility are also mapped.

As general practice, Avio organises annual workshops with the supply chain to create teams and share corporate and specific targets. In addition, supplier managers follow up with each supplier to share and anticipate any critical issues so as to create a collaborative network.

G1-3 - Prevention and detection of corruption and bribery

The Avio Group is committed to countering corruption and preventing the risks of illegal practices at any working level and in any geographic area, both through the dissemination and promotion of ethical values and principles and through the effective provision of rules of conduct and the implementation of control processes, in line with the requirements established by applicable laws and international best practice.

To prevent behaviours prohibited by law, Avio has adopted a specific Anti-Corruption Code of Conduct, which is integrated into a broader regulatory compliance programme that includes the Code of Ethics, Whistleblowing Procedure and 231 Model, all of which the company intends to develop and maintain over time.

Where a Report is made, and is not archived, the Committee promptly involves the Supervisory Board in order to assess - in a joint session - whether or not the Report qualifies as a 231 Report or a Code of Ethics Report and should therefore be handled by the Committee in consultation with and with the support of the Supervisory Board, in accordance with the provisions of the 231 Model and this Whistleblowing Procedure.

A Report submitted to a person other than the Committee must be forwarded immediately (within seven days) to the Committee, and notice must be given to the Whistleblower at the same time.

In relation to 231 Reports and Code of Ethics Reports, the Committee conducts the activities in consultation with and with the support of the Supervisory Board. Interactions between the Committee and the Supervisory Board are carried out through joint meetings and the platform, in compliance with the confidentiality requirements of the Whistleblowing Decree and this Procedure.

The Committee may request the support of internal functions or specialised external consultants, subject to the confidentiality requirements of the Whistleblowing Decree and this Procedure.

The Committee also has the power to request clarifications and/or additions from the Person Involved when managing the Report.

The results of management activities for Reports that are received and not archived, including the verifications carried out and any sanction measures taken, are summarised in a report sent by the Committee, on a semi-annual basis, to the Company's Control and Risks Committee.

Without prejudice to the above, as part of the periodic reporting required by the 231 Model, the Supervisory Board shall provide the Company's administrative body, on a semi-annual basis, with information regarding the 231 Reports and Code of Ethics Reports received and not archived, containing the results of the analysis, including the Company's adoption (or non-adoption) of disciplinary measures.

The Human Resources Department at Avio promotes awareness of the Code across the entire Group. All employees are therefore required to observe it and contribute to its implementation.

In this context, communication actions include:

- i. publishing the Code on Avio's corporate website and intranet, and on the intranet of each Group company;
- ii. making the Code available to all employees, distributing it to new hires during onboarding, and requiring signed acknowledgment confirming receipt and commitment to understanding and complying with its provisions.

Avio and each Group company also promote awareness and compliance with the Code among business and financial partners, professionals, commercial agents, external collaborators and suppliers. These stakeholders are required to sign a declaration confirming receipt of the Code, committing to its principles, and ensuring compliance within their own workforce.

For the parties mentioned, this communication is reinforced by an official notice informing them of the existence of the Code and inviting them to consult it on the Group company's website.

During 2024, training was provided on the Organization, Management and Control Model under Legislative Decree No. 231/2001 with the aim of analysing the system outlined by the Decree, its offenses and principles, with an in-depth study on the latest regulatory updates implemented by Decree Law 105/2003 "Justice Decree" in December 2023, including focus on IT crimes and the whistleblowing system.

The training involved top management of the different departments of the Company, both staff and business, specifically 32 employees including 11 executives.

11.1.2 Metrics and targets

G1-4 – Confirmed incidents of corruption or bribery

The main actions aimed at managing material impacts, risks and opportunities regarding Avio's business conduct are embodied in the continuous training and dissemination of policies and procedures in the areas of anti-corruption and ethical business management, referred to in section *G1-1 – Corporate culture and business conduct policies*.

Violations of the principles of behaviour set forth in the Code result in Group companies instigating action both internally, through the application of disciplinary sanctions, and externally, through maximum cooperation with the relevant public authorities. Such violations will be prosecuted promptly and immediately through appropriate and proportionate disciplinary measures, taking into account also the possible criminal relevance of such conduct and the establishment of criminal proceedings in this regard.

In the event of a violation of the principles of conduct set forth in the Code or the anti-corruption regulations by one or more Directors and/or Statutory Auditors of Group companies, the Board of Directors and the Board of Statutory Auditors concerned must be informed, who, according to their respective responsibilities, will proceed to take one of the following initiatives, taking into account the seriousness of the violation and in accordance with the law and/or the By-Laws:

- statements in the minutes of the meetings;
- formal warning;
- revocation of the assignment/delegation;
- request for the Shareholders' Meeting to be called or convened with the adoption of appropriate measures against the individuals responsible for the violation on the Agenda, including the exercise of legal action aimed at the recognition of the Director's liability towards Avio or the Group company and compensation for damages suffered.

In the event of violations of the principles of behaviour set forth in the Code or the anti-corruption regulations by one or more Executives, the most appropriate measures will be applied against those responsible.

Specifically:

- in cases in which the violation is of such severity that it compromises the relationship of trust to the extent that employment cannot be continued, the Executive's employment may be terminated without notice;
- where the violation be less severe but still sufficient to irreparably compromise the relationship of trust, the Executive's employment may be justifiably terminated with advance notice.

Conduct by employees in violation of the principles of behaviour set forth in the Code or anti-corruption regulations shall in any case be considered disciplinary offenses.

With reference to Group companies under non-Italian law, in the event of violation of the principles of behaviour set forth in the Code and the anti-corruption regulations, the aforementioned companies will apply the measures provided for in the applicable regulations to the members of the administrative and supervisory bodies as well as to their own personnel.

Any conduct by parties other than Avio Group Personnel in conflict with the Code or anti-corruption regulations will be examined in order to assess the adoption of measures, such as unilateral termination of the contract, to be provided for in appropriate contractual clauses.

Incidents of corruption and bribery - Convictions and fines imposed		
Number of incidents	Unit	2024
Number of convictions for violation of anti-corruption and anti-bribery laws	no.	0
Amount of fines for violation of anti-corruption and anti-bribery laws	€	0

G1-6 – Payment practices

As part of its business, the Group mainly uses suppliers and sub-contractors to supply components, semi-finished products and raw materials. Replacing certain suppliers and sub-contractors is difficult and always involves significant additional costs and long qualification times.

To ensure the internal operation and production of the products delivered to Customers, Avio procures Indirect materials (plant, equipment, personal protective equipment, etc.) and Services (ICT, Security, Transportation etc.). Procurement policies for these Indirect materials and Services follow the same rules as for Direct materials and are governed by common internal procedures.

The contractual commitments are not standard and can vary from supplier to supplier, and on the significant sample taken range on average between 60 and 90 days. Payment policies specifically for SMEs are currently being formalized, although operationally a special focus on payments to SMEs is already applied.

The average time for payment of invoices to be settled including contractual commitments, for the significant sample, is approx. 90 days. The percentage of payments meeting these deadlines is about 75%. This percentage is the result of assumptions about the identification of invoices to be settled beyond a given due date period, as a procedure to uniquely identify them is being established.

No legal proceedings are currently outstanding for late payments.

AVIO SPECIFIC

12.1 Innovation, research and development

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Following the Double Materiality analysis, the AVIO Group has identified the following impacts, risks and opportunities related to Research, Development and Innovation:

Positive impacts	Negative impacts	Risks	Opportunities
-	-	<ul style="list-style-type: none"> - Risks associated with greater insurance coverage related to the new role of launch service provider - Risk of insufficient investment in R&D resulting in difficulties in developing new technologies 	<ul style="list-style-type: none"> - Development of new technologies with related improvement of competitive position and consequent new market opportunities - Security and business continuity through contracted programmes with institutional customers

For further information regarding relevant impacts, risks and opportunities and their interaction with the strategy and business model, see the section on ESRS 2 SBM-3.

ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

Identifying, interpreting and promoting change are the three key components for creating a culture of innovation, ensuring the development of new products and safeguarding Avio's competitiveness in an ever-changing market.

Since its establishment, Avio has demonstrated its ability to lead and direct innovation through technologies untrammelled by borders, projects that constantly look to the future and a strong commitment to constant improvement.

The aerospace industry, characterised by rapidly changing technologies and a high level of competition, is a unique sector in the economy, and the businesses operating within it must carry out significant research and development activities to produce cutting-edge technologies and products. In this context and in line with its corporate mission, products and services research and innovation form the foundation for Avio's competitive advantage.

In 2024 the Group continued its technology development activities in the following main areas:

- developing new materials and processes for the fabrication of structures and components for liquid propulsion systems, including researching innovative alloys for the production of components in ALM (Additive Layer Manufacturing) and optimising the associated manufacturing process through the design of an intelligent manufacturing centre for the production of space engine components, thereby reducing raw material consumption and improving component quality;
- researching new ceramic matrix composites and polymer matrix thermal protection;
- extension to the cryogenic sphere of the "High Performance Composite Materials" production chain to create a new generation of large 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;
- looking for new propulsion systems, based on green propellants, not only for launch applications, where Avio's LOx-LNG technology is now ready for industrial development, but also for orbital applications, for which the ability to store propellants for long periods of time is essential. In fact, orbital propulsion creates opportunities for developing innovative in-orbit services, such as: the repair or refuelling of satellites to extend their lifespan, capturing and removing space debris, and the possibility of conducting activities in microgravity or vacuum environments for specific studies, given that all activities in Space require an adequate and sustainable propulsion system. In this context, work began in 2022 and continued in the following years on designing the architecture of a 1000-4000 N

class green engine able to replace the Avum engine and at the same time provide the Italian industry with a green, sustainable engine for orbital applications. In addition, research continued on new generations of green energy molecules for applications in solid propulsion;

- LPM cryogenic propulsion system test and design activities continued, with the goal of managing the necessary propellant required to power the M10 engine. Once the development and qualification phases are completed, the M10 engine will possess the necessary performance to provide propulsion during the third stage of the future VEGA E mission. At the same time, studies on the architecture and feasibility of a LOx-LNG engine in the 60-tonne thrust class (M60) continued, with a focus on developing the HTE chamber. The chamber will be made of ALM with an innovative thermodynamic design to achieve high specific thrust;
- researching future applications and versions of the Vega launcher as a starting point for new research and exploration opportunities, such as: affordable solar system exploration projects on NEO (near-earth objects) routes, in-orbit servicing missions, conducting low-cost experiments for educational and scientific purposes, and payload recovery with re-entry and landing on airport runways;
- continuation of development activities for a paraffin-based hybrid propulsion system whose possible application was identified as the last stage in a future iteration of the VEGA launcher. The accompanying studies for the future generation of space transport services for small and medium payloads.

Partnerships with prestigious European research institutes and other industrial entities under the Horizon Europe programmes were also strengthened: the DISCO2030, SALTO and ENLIGHTEN projects, of which Avio is a partner, continued in line with the agreed schedule.

The space sector economy currently features rapid technological progress and a high level of competition. As a result, companies operating in this market are required to carry out significant research and development activities in order to create the cutting-edge technologies required to offer competitive products. To this end, Avio also extends its network of scientific exchange and new product development partnerships through research collaboration with prestigious Italian and international universities and research centres. In addition, Avio supports technical and operational collaborations with the main European space agencies, in particular the Italian Space Agency (ASI), the French National Centre for Space Studies (CNES) and the European Space Agency (ESA).

Avio plans research and development activities in competitive and pre-competitive areas by revising its research plan on an annual and five-year basis, in line with the company's mission and vision, including self-funded or partially co-funded activities. All activities in the Research Plan are managed according to the classic enterprise project development method, and the resulting entries are recorded in the EPM (Enterprise Project Management) system, which monitors their progress levels. In addition, the activities are formally reviewed three times each year.

The objectives remain those of developing technology to adapt Avio's products to a fast-changing and highly competitive market, preparing for the transition to technologies with lower environmental impact, including through infrastructure investment.

To ensure high levels of research and innovation and to expand its role in the aerospace sector, Avio is committed to widening its network of scientific exchange and partnerships for new product development with various players on the international scene, and has joined trade associations such as the Union of Industrialists of Rome (in the Confindustria circuit) and Assonime.

For more information regarding research and development activities, please refer to the "Research and Development Activities" section of the Directors' Report.

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ANNEXES - AVIO GROUP KEY PERFORMANCE INDICATOR (KPI) MODELS

Turnover

The Model prepared consistent with Annex 5 of Regulation 2486/2023 is shown.

MODELLO - QUOTA DI FATTURATO DERIVANTE DA PRODOTTI O SERVIZI ASSOCIATI AD ATTIVITA' ECONOMICHE ALLINEATE ALLA TASSONOMIA - INFORMATIVA PER L'ANNO 2024

Esercizio finanziario 2024				2024			Criteri per il contributo sostanziale						Criteri DNSH per "non arrecare un danno significativo" (h)						Garanzie minime di salvaguardia (17)	Quota Fatturato allineata (A.1) o ammissibile (A.2) alla tassonomia, 2023 (18)	Categoria attività abilitante (19)	Categoria attività di transizione (20)	
Attività economiche (1)	Codice (a) (2)	Fatturato (3)	Quota di fatturato anno N (4)	Mitigazione dei cambiamenti climatici (5)	Adattamento ai cambiamenti climatici (6)	Aoqne (7)	Inquinamento (8)	Economia circolare (9)	Biodiversità (10)	Mitigazione dei cambiamenti climatici (11)	Adattamento ai cambiamenti climatici (12)	Aoqne (13)	Inquinamento (14)	Economia circolare (15)	Biodiversità (16)								
Testo	Valuta	%		Si/No/ N/A/M (b) (c)	Si/No/ N/A/M (b) (c)	Si/No/ N/A/M (b) (c)	Si/No/ N/A/M (b) (c)	Si/No/ N/A/M (b) (c)	Si/No/ N/A/M (b) (c)	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	%	A	T				
A. ATTIVITA' AMMISSIBILI ALLA TASSONOMIA																							
A.1 ATTIVITA' ECOSOSTENIBILI (ALLINEATE ALLA TASSONOMIA)																							
Fatturato delle attività ecosostenibili (allineate alla tassonomia) (A.1)				-	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%		A	T			
Di cui abilitanti				-	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%					
Di cui si transizione				-	0,00%	0,00%				0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%		T			
A.2 ATTIVITA' AMMISSIBILI ALLA TASSONOMIA MA NON ECOSOSTENIBILI (ATTIVITA' NON ALLINEATE ALLA TASSONOMIA) (g)																							
						AM, NIAM (f)	AM, NIAM (f)	AM, NIAM (f)	AM, NIAM (f)	AM, NIAM (f)	AM, NIAM (f)												
Fabbricazione di aeromobili, di veicoli spaziali e dei relativi dispositivi		CCM 3.21	474.191	98,70%	AM	NIAM	NIAM	NIAM	NIAM	NIAM										N/A			
Preparazione per il riutilizzo di prodotti e componenti a fine [produzione veicoli spaziali e dei relativi dispositivi]		CE 5.3																		41,84%			
Fatturato delle attività ammissibili alla tassonomia ma non ecosostenibili (attività non allineate alla tassonomia) (A.2)				474.191	98,70%	98,70%	0,00%	0,00%	0,00%	0,00%	0,00%										41,84%		
A. Fatturato delle attività ammissibili alla tassonomia (A.1+A.2)				474.191	98,70%	98,70%	0,00%	0,00%	0,00%	0,00%	0,00%										41,84%		
B. ATTIVITA' NON AMMISSIBILI ALLA TASSONOMIA																							
Fatturato delle attività non ammissibili alla tassonomia					6.229	1,30%																	
TOTALE (A1+A2+B)					480.420	100%																	

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ANNEXES - AVIO GROUP KEY PERFORMANCE INDICATOR (KPI) MODELS

CapEx

The Model prepared consistent with Annex 5 of Regulation 2486/2023 is shown.

MODELLO - QUOTA DELLE SPESE IN CONTO CAPITALE (CAPEX) DERIVANTI DA PRODOTTI O SERVIZI ASSOCIATI AD ATTIVITA' ECONOMICHE ALLINEATE ALLA TASSONOMIA - INFORMATIVA PER L'ANNO 2024

Esercizio finanziario 2024				2024				Criteri per il contributo sostanziale					Criteri DNSH per "non arrecare un danno significativo" (h)													
Attività economiche (1)				Codice (a) (2)	CapEx (3)	Quota di CapEx anno N (4)	Mitigazione dei cambiamenti climatici (5)	Adattamento ai cambiamenti climatici (6)	Acque (7)	Inquinamento (8)	Economia circolare (9)	Biodiversità (10)	Mitigazione dei cambiamenti climatici (11)	Adattamento ai cambiamenti climatici (12)	Acque (13)	Inquinamento (14)	Economia circolare (15)	Biodiversità (16)	Garanzie minime di salvaguardia (17)	Quota CapEx allineata (A.1) o ammissibile (A.2) alla tassonomia, 2023 (18)	Categoria attività abilitante (19)	Categoria attività di transizione (20)				
Testo					Valore	%	Si/No/ N/A/M (b)(c)	Si/No/ N/A/M (b)(c)	Si/No/ N/A/M (b)(c)	Si/No/ N/A/M (b)(c)	Si/No/ N/A/M (b)(c)	Si/No/ N/A/M (b)(c)	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	%	A	T			
A. ATTIVITA' AMMISSIBILI ALLA TASSONOMIA																										
A.1 ATTIVITA' ECOSOSTENIBILI (ALLINEATE ALLA TASSONOMIA)																										
Ristrutturazione di edifici esistenti				CCM 7.2																	0,21%					
Installazione, manutenzione e riparazione di dispositivi per l'efficienza energetica				CCM 7.3	57	0,14%	Si	No	N/A/M	N/A/M	N/A/M	N/A/M	Si	Si	Si	Si	Si	Si	Si	Si	Si	0,35%	A			
Installazione, manutenzione e riparazione di stazioni di ricarica per veicoli elettrici negli edifici (e negli spazi adibiti a parcheggio di pertinenza degli edifici)				CCM 7.4	119	0,29%	Si	No	N/A/M	N/A/M	N/A/M	N/A/M	Si	Si	Si	Si	Si	Si	Si	Si	Si	0,05%	A			
Installazione, manutenzione e riparazione di strumenti e dispositivi per la misurazione, la regolazione e il controllo delle prestazioni energetiche degli edifici				CCM 7.5	256	0,62%	Si	No	N/A/M	N/A/M	N/A/M	N/A/M	Si	Si	Si	Si	Si	Si	Si	Si	Si	N/A	A			
Rinnovo di sistemi di raccolta, trattamento e fornitura di acqua				CCM 5.2	39	0,09%	Si	No	N/A/M	N/A/M	N/A/M	N/A/M	Si	Si	Si	Si	Si	Si	Si	Si	Si	N/A				
Rinnovo di sistemi di raccolta e trattamento delle acque reflue				CCM 5.4	146	0,36%	Si	No	N/A/M	N/A/M	N/A/M	N/A/M	Si	Si	Si	Si	Si	Si	Si	Si	Si	N/A				
Raccolta e trasporto di rifiuti non pericolosi, in frazioni separate alla fonte				CCM 5.5																	0,19%					
CapEx delle attività ecosostenibili (allineate alla tassonomia) (A.1)					618	1,43%	1,49%	0,00%	0,00%	0,00%	0,00%	0,00%	Si	Si	Si	Si	Si	Si	Si	Si	0,80%					
Di cui abilitanti				433	1,04%	1,04%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	Si	Si	Si	Si	Si	Si	Si	Si	N/A	A				
Di cui di transizione				-	0,00%	0,00%							Si	Si	Si	Si	Si	Si	Si	Si	N/A		T			
A.2 ATTIVITA' AMMISSIBILI ALLA TASSONOMIA MA NON ECOSOSTENIBILI (ATTIVITA' NON ALLINEATE ALLA TASSONOMIA) (g)																										
							AM/ N/A/M (f)	AM/ N/A/M (f)	AM/ N/A/M (f)	AM/ N/A/M (f)	AM/ N/A/M (f)	AM/ N/A/M (f)														
Costruzione di nuovi edifici				CCM 7.1	42	0,10%	AM	N/A/M	N/A/M	N/A/M	N/A/M	N/A/M									N/A					
Ristrutturazione di edifici esistenti				CCM 7.2	6.070	1,48%	AM	N/A/M	N/A/M	N/A/M	N/A/M	N/A/M									1,65%					
Installazione, manutenzione e riparazione di dispositivi per l'efficienza energetica				CCM 7.3	347	0,08%	AM	N/A/M	N/A/M	N/A/M	N/A/M	N/A/M									N/A					
Ristrutturazione di edifici esistenti				CE 3.2																	2,24%					
Fabbricazione di aeromobili, di veicoli spaziali e dei relativi dispositivi				CCM 3.21	15.810	3,81%	AM	N/A/M	N/A/M	N/A/M	N/A/M	N/A/M									N/A					
Elaborazione dei dati, hosting e attività connesse				CCM 8.1	7.297	1,76%	AM	N/A/M	N/A/M	N/A/M	N/A/M	N/A/M									N/A					
CapEx delle attività ammissibili alla tassonomia ma non ecosostenibili (attività non allineate alla tassonomia) (A.2)					29.567	7,13%	71,39%	0,00%	0,00%	0,00%	0,00%	0,00%									3,89%					
A. CapEx delle attività ammissibili alla tassonomia (A.1+A.2)					30.184	7,58%	72,89%	0,00%	0,00%	0,00%	0,00%	0,00%									4,69%					
B. ATTIVITA' NON AMMISSIBILI ALLA TASSONOMIA																										
CapEx delle attività non ammissibili alla tassonomia					11.229	2,71%																				
TOTALE (A1-A2-B)					41.413	100%																				

Consolidated Sustainability Statement 2024

ANNEXES - AVIO GROUP KEY PERFORMANCE INDICATOR (KPI) MODELS

OpEx

The Model prepared consistent with Annex 5 of Regulation 2486/2023 is shown

MODELLO - QUOTA DELLE SPESE OPERATIVE (OPEX) DERIVANTI DA PRODOTTI O SERVIZI ASSOCIATI AD ATTIVITA' ECONOMICHE ALLINEATE ALLA TASSONOMIA - INFORMATIVA PER L'ANNO 2024

Esercizio finanziario 2024	2024			Criteri per il contributo sostanziale						Criteri DNSH per "non arrecare un danno significativo" (f)						Quota OpEx allineata (A.1) o ammissibile (A.2) alla tassonomia, 2023 (18)	Categoria attività abilitante (19)	Categoria attività di transizione (20)																					
Attività economiche (1)	Codice (a) (2)	OpEx (3)	Quota di OpEx anno N (4)	Mitigazione dei cambiamenti climatici (5)	Adattamento ai cambiamenti climatici (6)	Acque (7)	Inquinamento (8)	Economia circolare (9)	Biodiversità (10)	Mitigazione dei cambiamenti climatici (11)	Adattamento ai cambiamenti climatici (12)	Acque (13)	Inquinamento (14)	Economia circolare (15)	Biodiversità (16)				Garanzie minime di salvaguardia (17)																				
Testo		Valuta	%	Si/No/NIAM/ (b) (c)	Si/No/NIAM/ (b) (c)	Si/No/NIAM/ (b) (c)	Si/No/NIAM/ (b) (c)	Si/No/NIAM/ (b) (c)	Si/No/NIAM/ (b) (c)	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	Si/No	%	A	T																				
A. ATTIVITA' AMMISSIBILI ALLA TASSONOMIA																																							
A.1 ATTIVITA' ECOSOSTENIBILI (ALLINEATE ALLA TASSONOMIA)																																							
Installazione, manutenzione e riparazione di strumenti e dispositivi per la misurazione, la regolazione e il controllo delle prestazioni energetiche degli edifici																				CCM 7.5	245	6,04%	Si	No	NIAM	NIAM	NIAM	NIAM	Si	Si	Si	Si	Si	Si	NI/A	A			
Spese operative delle attività ecosostenibili (allineate alla tassonomia) (A.1)																					245	6,04%	6,04%	0,00%	0,00%	0,00%	0,00%	0,00%	Si	Si	Si	Si	Si	Si	Si	0,00%			
Di cui abilitanti																				245	6,04%	6,04%	0,00%	0,00%	0,00%	0,00%	0,00%	Si	Si	Si	Si	Si	Si	Si	NI/A	A			
Di cui si transizione																				-	0,00%	0,00%						Si	Si	Si	Si	Si	Si	NI/A			T		
A.2 ATTIVITA' AMMISSIBILI ALLA TASSONOMIA MA NON ECOSOSTENIBILI (ATTIVITA' NON ALLINEATE ALLA TASSONOMIA) (*)																																							
																							AM, NIAM (e)	AM, NIAM (e)	AM, NIAM (e)	AM, NIAM (e)	AM, NIAM (e)	AM, NIAM (e)											
Costruzione, espansione e gestione di sistemi di raccolta, e trattamento delle acque reflue																				CCM 5.3	66	1,62%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Ristrutturazione di edifici esistenti																				CCM 7.2	1030	25,36%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Installazione, manutenzione e riparazione di dispositivi per l'efficienza energetica																				CCM 7.3	1335	32,64%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Installazione, manutenzione e riparazione di stazioni di ricarica per veicoli elettrici negli edifici (e negli spazi adibiti a parcheggio di pertinenza degli edifici)																				CCM 7.4	77	1,92%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Installazione, manutenzione e riparazione di strumenti e dispositivi per la misurazione, la regolazione e il controllo delle prestazioni energetiche degli edifici																				CCM 7.5	417	10,22%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Elaborazione dei dati, hosting e attività connesse																				CCM 8.1	291	7,16%	AM	NIAM	NIAM	NIAM	NIAM	NIAM									NI/A		
Spese operative delle attività ammissibili alla tassonomia ma non ecosostenibili (attività non allineate alla tassonomia) (A.2)																					3.817	93,96%	93,96%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%			
A. OpEx delle attività ammissibili alla tassonomia (A.1-A.2)																					4.063	100%	100,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%			
B. ATTIVITA' NON AMMISSIBILI ALLA TASSONOMIA																																							
Spese operative delle attività non ammissibili alla tassonomia																					-	0%																	
TOTALE (A1-A2-B)																					4.063	100%																	

METHODS OF PRESENTATION OF FINANCIAL STATEMENTS, METHODOLOGIES AND ACCOUNTING STANDARDS APPLIED

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 administrative headquarters is in Colleferro (Rome), via Ariana Km 5.2.

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 the "SPAC" 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 December 31, 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 Guyana 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 financial statements

These financial statements at December 31, 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").

These IFRS financial statements were prepared on a going concern basis.

With the exception of the provisions of IFRS 3 with reference to the business combination undertaken in 2017, which allowed Space2 S.p.A. to acquire the Avio Group, the financial statements have been drawn up according to the historical cost criteria, adjusted, where applicable, for the measurement of certain financial instruments and other assets and liabilities at fair value.

The financial statements were prepared in accordance with the provisions of CONSOB in relation to financial statement lay-out pursuant to Article 9 of Legislative Decree No. 38/2005 and other CONSOB regulations and provisions concerning financial reporting.

2.2. Consolidated financial statements

The consolidated financial statements at December 31, 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 1, these 2024 consolidated financial statements present the comparative 2023 figures for the Balance Sheet items (Consolidated Balance Sheet) and the 2019 figures for the Income Statement items (Consolidated Income Statement, Consolidated Comprehensive Income Statement, Statement of changes in Consolidated Equity and Consolidated Cash Flow Statement).

2.4. Basis of consolidation

The consolidated financial statements include the financial statements of the parent company, its direct or indirect subsidiaries and the companies over which the Group exercises joint control with other shareholders, as specified below and defined by standards IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint control arrangements, and IAS 28 - Investments in associates and joint ventures.

Subsidiaries

A company is considered a subsidiary where the Group exercises control as defined by IFRS 10 - Consolidated financial statements. The parent company controls an investee when, in the exercise of its power, it is exposed and has rights to the variable returns through managerial involvement, and simultaneously can impact upon the variable returns of the investee. The exercise of the power on the investee derives from the rights which permit the parent company to manage the significant assets of the investee also in its own interests. For assessing whether the Group controls another entity, the existence and the effect of potential voting rights exercisable or convertible at that moment are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control terminates.

Subsidiaries are consolidated according to the line-by-line method from the date on which the Group assumes control until the moment at which this control terminates.

Inactive subsidiaries, those for which the consolidation due to specific operating dynamics (such as non-equity based consortiums) does not produce significant effects and those with insignificant fixed assets, whether in terms of investment profile or the relative equity and earnings figures, are excluded from the consolidation. These businesses are valued according to the criteria applied for holdings in other companies.

In the consolidated financial statements, the assets and liabilities and the costs and the revenues of the companies consolidated according to the line-by-line method are fully included. The carrying amount of investments is eliminated against the corresponding share of the equity of the subsidiaries, allocating to the individual assets and liabilities their fair value at the acquisition control date.

Changes in the holdings of subsidiaries which do not result in the acquisition or loss of control are recognised to changes in equity.

The receivables, payables, costs and revenues among consolidated companies are eliminated. Profits and losses of insignificant amounts from transactions between companies included in the consolidation and not yet realised with third parties are also eliminated.

The dividends distributed between Group companies are eliminated from the income statement.

Profits and losses of significant amounts not realised through transactions with associates or jointly-controlled companies are eliminated according to the Group holding in such companies.

Non-controlling interests in the net assets and the result of consolidated subsidiaries are recorded separately from the Group equity.

Interests in joint ventures

Subsidiaries held directly with other shareholders where the relative agreements constitute joint ventures (or where the parties only have equity rights under the agreement) are consolidated as per IFRS 11, with the equity method applied once becoming operative.

Where agreements in place constitute a joint operation (in which the parties have rights over the assets and obligations for the liabilities of the agreement), the assets, liabilities and costs and revenues deriving from the joint operation are consolidated on a pro-rata basis.

Where necessary, adjustments are made to the financial statements of consolidated joint ventures in order to apply uniform Group accounting policies.

Investments in associates

Associates are companies over which the Group exercises significant influence, as defined by IAS 28 - Investments in associates and joint ventures, without control or joint control over financial and operating policies. Generally a shareholding between 20% and 50% of the voting rights indicates significant influence. Associates in which significant influence is exercised are measured at equity from the moment at which significant influence commences until the date at which it ceases. According to this method, the carrying amount of the investment is adjusted at each year-end by the share of the result of the investee, net of dividends received, after adjustments, where necessary, to the accounting policies of the companies for uniformity with those adopted by the Group. Any excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date is recognised as goodwill. The recognition of goodwill at the acquisition date is included in the carrying amount of the investment. The entire carrying amount of the investment is subject to an impairment test amid indicators of a possible reduction in the long-term value of the investment. Any impairments are not allocated to the individual assets (and in particular any goodwill) which comprises the carrying value of the investment, but to the overall value of the investment. However, if the conditions exist for a subsequent write-back, such must be fully recognised.

Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition is recorded in the Income Statement in the year of acquisition. Finally, where the share of losses pertaining to the Group in the associate exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is not recorded as a liability, unless the Group has the legal or implied obligation to cover such losses.

Investments in associates not considered significant are not aligned to equity for representation of the consolidated position.

Investments in other companies

The companies in which the Group holds between 20% and 50% of voting rights while not exercising significant influence and investments in other companies, are included in non-current assets or current assets where they are expected to remain within the Group for a period, respectively, in excess of or less than 12 months. The other investments are classified to "financial assets measured at fair value through consolidated profit or loss" (FVTPL) under current assets. On the purchase of each investment, IFRS 9 establishes the irrevocable option to recognise these assets among "financial assets measured at fair value through consolidated other comprehensive income" (FVOCI), under non-current or current assets. Other investments classified as "financial assets measured at fair value through other comprehensive income" are measured at fair value; the changes in the value of these investments are recognised to an equity reserve through other comprehensive income items (Reserve for financial assets measured at fair value recognised to other comprehensive income), without reclassification to the separate income statement, on derecognition (sale) or a definitive impairment. Dividends are however recognised to the separate consolidated income statement. Changes in the value of other investments classified as "financial assets measured at fair value through the separate consolidated income statement" are recognised directly to the separate consolidated income statement.

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 consolidated financial statements, the financial statements of each foreign entity is converted into Euro, as the Group's reporting 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 consolidated financial statements at December 31, 2024 include the financial statements of the parent company, of the Italian and overseas companies in which it holds directly or indirectly 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 December 31, 2024 was as follows:

Companies included in the consolidation scope at December 31, 2024			Holdin g
Parent			
Company name	Registered office	Share capital	% Held
Avio S.p.A.	via Leonida Bissolati, 76 - Rome	EURO 90,964,212.9 0	N/A
Companies consolidated by the line-by-line method			
Company name	Registered office	Share capital	% Held
Spacelab S.p.A.	via Leonida Bissolati, 76 - Rome	EURO 3,000,000.0 0	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 53,929,691.0 0	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)	8.00 (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 1,200,000.0 0	50%
Associates, measured at equity			
Termica Colleferro S.p.A.	Via degli Agresti, 4 and 6 Bologna	EURO 6,100,000.0 0	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

Accounting estimates and significant judgments made to account for the impacts of climate risks

The effects of initiatives to limit climate change and the potential impact of the energy transition influence the accounting estimates and significant judgments made by management in preparing the consolidated financial statements and separate financial statements as of December 31, 2024.

In particular, the management and development strategies of constant environmental protection and the specific commitment aimed at protecting the environment, including the prevention of pollution and the pursuit of continuous improvement of its environmental performance, may lead to an increase in operating costs for the Avio Group in the medium to long term.

In this regard, in alignment with the Paris Agreement, Avio is committed to developing a medium-to-long-term decarbonisation plan that involves the progressive reduction of CO₂ and other greenhouse gas emissions generated by its business activities. Avio recognises the significance of adopting a strategic and systematic approach to the management of risks and opportunities linked to climate change. In addition to its commitment to mitigate the negative impacts of its own business, Avio has taken it upon itself to identify and adopt the best strategies to reduce risks and seize the new opportunities that will arise in this transitional environment.

As part of this, the Group has identified and mapped the following risks related to climate change, which are reported in the company's ERM - Enterprise Risk Management:

- an event related to *"Physical risks associated with the rise in economic costs and financial losses due to the increased frequency of extreme weather events related to climate change"*: since certain processing facilities require significant thermal stability to perform delicate processes, changes in external climate conditions could affect energy consumption and have a significant economic impact, given the rise in energy prices. To mitigate this risk, the Group uses metering devices that allow it to monitor consumption on an ongoing basis and evaluate the economic repercussions of any abrupt spikes in absorption caused by external weather conditions.
- an event related to *"Physical risks associated with extreme weather events"* connected to the potential for plant shutdowns and the loss of products due to extreme weather events. Among these, the following risks have been mapped: seismic events, flooding, tornadoes, and fires. A risk assessment of these events was conducted. The ways in which active products are handled and stored, in addition to the management of top event areas, indicate a very low probability of a significant event and/or operational shutdown. This finding is also consistent with the provisions of the Management System's internal Emergency Plan. Considering the historical data, geographical location, and existing risk management tools, the likelihood of these events causing plant shutdowns or a loss of products is deemed to be remote.

The mapping of the above risks is the basis for significant estimates and judgments related to:

- (i) the assessment of the Group's intention to continue its activities in space and defense;
- (ii) the definition of the useful lives and residual values of fixed assets;
- (iii) the impact on provisions for risks and charges (e.g., advance in the expected timing of incurring decommissioning and site restoration costs).

Please refer to the Directors' Report - Sustainability Statement regarding the considerations and analysis on climate change.

Major impacts arising from the new contractual environment as a result of the Seville agreements of the November 6, 2023 on the production and sale of launchers developed by the European Space Agency (ESA)

On November 6, 2023, a European Space Agency (ESA) Board meeting was held in Seville in the presence of ministers representing the various member states. A number of the decisions made affected significant aspects of the Ariane 6, Vega C and Vega E programmes.

The main outcomes of the meeting, outlined at an ESA press conference at 6.45PM (CET) on November 6 and in the official communications from the ESA, the Italian Space Agency (ASI) and the Ministry of Enterprise and Made in Italy (MIMIT), 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;
- 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 already contracted;

- 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.

In addition, the ESA Board adopted on July 5, 2024 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-C launch services until Vega flight 29 (VV29), scheduled for the fourth quarter of 2025. For launches after VV29, Avio will be the launch service provider and operator of Vega C; at present most of the customers who have signed contracts for launch services with Vega C have accepted this option; the formalities associated with the transfer process are underway with an expectation of completion during H1 2025.

As of December 31, 2024, the transfer of these contracts from Arianespace to Avio has not yet been completed, as a contractual change under IFRS 15 has not been completed. The full-life revenues of the 17 flights consists of the portion already contracted with Arianespace (about 90% of the total) and ESA contributions (about 10% of the total).

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments.

The acquisition cost corresponds to the price paid, plus accessory charges incurred until entry into use (gross of any contributions received) and any expected dismantling and removal costs for the asset, in addition to reclamation costs for the areas on which the asset is located, where necessary and corresponding to IAS 37. For assets conferred, the cost corresponds to the value established in the relative deeds on the basis of expert opinions. The internal production cost includes all construction costs incurred until entry into service, whether direct and specifically relating to the tangible assets or relating, in general, to the construction activities and therefore to differing construction operations. Any financial charges incurred for the acquisition or production of property, plant and equipment that generally require a substantial period of time to prepare for their intended use (qualifying assets in accordance with IAS 23 - *Financial charges*) are capitalised and depreciated over the duration of the useful life of the category of assets to which they refer. All other financial charges are recognised to the income statement in the period in which they are incurred.

Costs incurred subsequently to acquisition (maintenance and repair costs and replacement costs) are recorded at the carrying amount of the assets, or are recognised as separate assets, only where it is considered probable that the future economic benefits associated with the assets may be exploited and that the cost of the assets may be measured reliably. Maintenance and repair costs or replacement costs not reflective of those reported above are recognised to the income statement in the period in which they are incurred.

The gross carrying amount of assets is depreciated on a straight-line basis over their useful life in relation to the estimated useful life and the residual value of the asset. Depreciation starts when the asset is available for use. For conferred assets, depreciation is calculated according to the residual useful life upon conferment. The depreciation rates utilised by the Group are as follows:

Category	Depreciation rate
Buildings	2%; 10%
Plant & machinery	2%; 5%; 7%
Industrial & commercial equipment	10%; 40%
Other assets:	
- Furniture, equipment and EDP	12%; 20%
- Transport vehicles	20%; 25%
- Other assets	12%; 25%

During the year in which depreciation of the asset begins, such is calculated on the basis of the effective period of use. The useful life is re-examined annually and any changes are applied prospectively.

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, resulted in 2023 in the revision of the useful life of some buildings, plant and equipment during the year. As a result, the depreciation rates for buildings changed from 3% and 10% in 2022 to 2% and 10% in 2023, while those for plant and machinery changed from 7% and 30% in 2022 to 2%, 5% and 7% in 2023. This review was carried out with the support of an independent expert. No revision of depreciation rates was made in the present year.

Capitalised costs for leasehold improvements are allocated to the categories of assets to which they refer and amortised at the lesser between the residual duration of the rental or concession contract and the residual useful life of the type of assets to which the improvements relate.

The assets composed of components, of significant amounts, and with different useful lives are considered separately for the calculation of depreciation (component approach).

Land is not depreciated.

In the event of a permanent impairment in the value of an asset, regardless of the depreciation recorded to date, the asset is written down accordingly; if in future years, the reasons for the write-down no longer apply, the asset is reinstated to its original value less the depreciation which would have been provisioned where the write-down had not been made or the recoverable value, where less.

Gains and losses deriving from the disposal or sale of assets are determined as the difference between the sales revenue and the net carrying amount of the asset on disposal or sale and are recorded in the income statement in the year.

Investment property

Owned land and buildings used for purposes not strictly relating to ordinary operations and held for rental or capital appreciation are recognised at cost, calculated according to the same methods indicated for property, plant and equipment. Investment properties are eliminated from the financial statements when they are sold or when they are unusable on a long-term basis and no future economic benefits are expected from their sale.

Rights-of-use

The Group assesses whether a contract is or contains a lease at the time of its initial recognition; over the life of the contract, the initial assessment is revised only in response to changes in the terms of the contract (specifically, contract term or lease payments due).

A right to use the leased asset, equal to the initial value of the corresponding lease liability, plus payments due before or concurrently with the contractual effective date (e.g., agency fees) is recorded at the contract start date. Thereafter, this right of use is valued net of accumulated depreciation and impairment losses. Depreciation begins on the effective date of the lease and extends over the shorter of the contractual term and the useful life of the underlying asset. If events or changes in circumstances indicate that the carrying amount of the right-of-use cannot be recovered, that asset is tested for impairment in accordance with the provisions of the relevant accounting standard IAS 36 - Impairment of Assets.

The lease liability is initially recorded at the present value of unpaid lease payments as of the contractual effective date, discounted using the marginal borrowing rate, defined by loan term and for each Group company. Next, the lease liability is reduced to reflect lease payments paid and increased to reflect interest on the value that remains.

The lease liability is restated (resulting in a right-of-use adjustment) if there is a change:

- of the lease term (e.g., in case of early termination of the contract, or extension of the expiration date);
- of the valuation of an option to purchase the underlying asset; in such cases the lease payments due will be revised based on the revised term of the lease and to account for the change in the amounts payable under the purchase option;
- of future lease payments due, resulting from a change in the index or rate used to determine payments (e.g., ISTAT) or as a result of recontracting economic terms.

In the event of a significant change in the lease term or future lease payments due, the residual value of the lease liability is restated by reference to the marginal borrowing rate in effect at the date of the change. The Group makes use of the option granted by the standard to apply a simplified accounting regime to short-term contracts for certain specific classes of assets (with a duration of no more than 12 months), to contracts where the individual underlying asset is of low value (up to Euro 5,000) and to contracts where the individual underlying asset is an intangible asset; for these contracts, lease payments are recognized in the Income Statement as an offset to short-term trade payables.

Intangible assets

An intangible asset is without physical form and recognised to the balance sheet only if identifiable, controllable, where future economic benefits are expected and its costs can be reliably calculated.

Intangible assets include goodwill acquired for consideration following a business combination.

Intangible assets with a definite life are measured at purchase or production cost, net of amortisation and cumulative impairments. Amortisation is recognised over the useful life of the asset and begins when the asset is available for use. The useful life is reviewed on an annual basis and any changes are made in accordance with future estimates.

The intangible assets with indefinite useful life are not amortised but are subject annually or, more frequently where necessary, to an impairment test.

Intangible assets recognised following a business combination are recorded separately from goodwill where their fair value can be reliably measured.

Intangible assets with indefinite life

Goodwill

The goodwill deriving from business combinations is initially recorded at the acquisition cost. Goodwill is recognised as an asset with indefinite useful life and is not amortised, although subject annually, or more frequently where an indication that specific events or changed circumstances indicate a possible reduction in value, to an impairment test. An impairment loss is recorded immediately in the income statement and is not restated in a subsequent period. After initial recognition, goodwill is measured net of any impairments. On the sale of a subsidiary, the net value of attributable goodwill is included in calculating the gain or loss.

For the purpose of the impairment test, goodwill is considered allocated to the individual Cash Generating Units (CGU's) representing the financially independent business units through which the Group operates. The Group situation at December 31, 2024 indicates a single CGU corresponding to the Space operating segment.

Negative goodwill originating from acquisitions is recognised directly to the income statement.

Intangible assets with definite life

Development costs

Development costs are capitalised only where the costs may be calculated reliably, the assets developed may be clearly identified and where there is proof that they will generate future economic benefits. In particular, for capitalisation the existence of technical feasibility and the intention to complete the asset to make it available for use or sale, the existence of adequate technical and financial resources to complete development and sale and the reliability of the valuation of the costs attributable to the asset during development are required. On meeting these conditions, the costs are recognised to the assets section of the Balance Sheet and amortised on a straight-line basis from the initiation of commercial production on the programs to which they refer. Amortisation in the initial period is proportional to the effective period of use. The useful lives are calculated on the basis of a prudent estimate of the duration of the programs from which the relative economic benefits derive and are initially estimated at 5, 10 or 15 years according to the characteristics of the relative programs. Capitalised development costs concerning programs whose production has not yet begun are amortised and maintained among definite life intangible assets, following verification of the absence of impairments, on the basis of the future earnings of the relative programs.

Research and development costs which do not meet the above conditions are recognised to the income statement when incurred and may not be capitalised in subsequent periods.

Intangible assets for Customer Relationships

The Group allocated, at the acquisition date by Space2 and with effect from financial year 2017, the cost of this acquisition recognising the assets, liabilities and contingent liabilities of the companies acquired at their relative fair values at that date. Following this allocation, the intangible assets held by customers for programme participation were identified as responding to the criteria required for recognition, as per IFRS 3 and IAS 38, which were valued at fair value applying an earnings valuation method, based on the present value of future cash flows generated by the assets for the period of residual expected useful life, calculated applying a discount rate which takes account both of the possible risks associated with the assets and the time value of money. In addition, the benefit attributable to the tax savings achievable for a potential purchaser deriving from the amortisation of the recognisable intangible assets was also considered (tax amortisation benefits).

The intangible assets for Customer Relationships are amortised, in relation to the average weighted residual life of the programs to which they refer, over a period of 15 years. Against the intangible assets recognised, the relative deferred taxes were recorded, calculated through application of the tax rates which are expected to be in force on recognition to the income statement of the amortisation.

Other intangible assets

Intangible assets are recognised to the Balance Sheet only when it is probable that the use of the asset will generate future economic benefits and its cost can be reliably calculated. Having complied with these conditions, the intangible assets are recognised at the acquisition cost which corresponds to the price paid, plus accessory charges and, for the assets conferred, to the values established in the relative deeds. Other intangible assets recognised on acquisition are recorded separately from goodwill where their fair value can be reliably calculated.

The gross carrying amount of the other definite life intangible assets is broken down on a straight-line basis over the estimated useful life. Amortisation begins when the asset is available for use and is proportionate for the first year to the period of effective use. For assets conferred, the amortisation is calculated according to the residual useful life.

The amortisation rates utilised by the Group are as follows:

Category	Amortisation rate
Patents	20%
Brands	10%
Software	14%; 20%

In view of the development of research and development and production programmes during 2023, the useful life of some software licenses was reviewed. As a result, the range of amortization rates for software licenses changed from 20-33% in 2022 to 14-20% in 2023. No revision of amortisation rates was made in the present year.

Investments

For the consolidated financial statements, please refer to the "Consolidation Principles" section.

For the separate financial statements, the following is reported.

The holdings in subsidiaries, associates and jointly controlled companies are recorded at cost, adjusted for loss in value. The cost is represented by the acquisition value and corresponds to the value of their contribution in the consolidated financial statements at the date considered in the financial statements as the acquisition date.

Any positive difference, arising on purchase, between the acquisition cost and the fair value of the share of net equity of the investment is included in the carrying value of the investment and is tested annually for impairment, comparing the entire book value of the investment with its recoverable value (the higher value between the value in use and the fair value net of selling costs).

Where an impairment loss exists, it is recognised through the income statement. Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, and the company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision under liabilities. Where an impairment loss is subsequently reversed, this is recognised through the income statement within the limit of the original recognition value.

The companies in which the Company holds between 20% and 50% of voting rights while not exercising significant influence and investments in other companies, are included in non-current assets or current assets where they are expected to remain within the Company for a period, respectively, in excess of or less than 12 months. The other investments are classified to "financial assets measured at fair value through consolidated profit or loss" (FVTPL) under current assets. On the purchase of each investment, IFRS 9 establishes the irrevocable option to recognise these assets among "financial assets measured at fair value through consolidated other comprehensive income" (FVOCI), under non-current or current assets. Other investments classified as "financial assets measured at fair value through other comprehensive income" are measured at fair value; the changes in the value of these investments are recognised to an equity reserve through other comprehensive income items (Reserve for financial assets measured at fair value recognised to other comprehensive income), without reclassification to the separate income statement, on derecognition (sale) or a definitive impairment. Dividends are however recognised to the separate consolidated income statement. Changes in the value of other investments classified as "financial assets measured at fair value through the separate consolidated income statement" are recognised directly to the separate consolidated income statement.

Impairments

The Group verifies, at least annually, the recoverability of the carrying amount of property, plant and equipment in order to determine whether there are indications that these assets may have incurred a loss in value. Where there are indications of impairment, the carrying amount of the asset is reduced to its recoverable amount. In addition, an intangible asset with indefinite useful life is subject annually or, more frequently where there is an indication that the asset may have suffered a loss in value, to an impairment test. The loss in value of an asset corresponds to the difference between its carrying amount and its recoverable value, defined as the higher between the fair value net of sales costs and its value in use. The value in use is calculated as the present value of expected future operating cash flows, excluding cash flows from financing activities. The cash flow projection is based on company plans and reasonable and documented assumptions concerning the Group's future results and macro-economic conditions. The discount rate utilised considers the time value of money and specific sector risks.

Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

Where the recoverable value of an asset, or of a cash generating unit, is lower than the carrying amount, it is reduced to the recoverable value and the loss recognised to the income statement. Subsequently, where the loss on an asset other than on goodwill is no longer evident or reduces, the carrying amount of the asset (or of the cash generating unit) is increased, up to the new estimate of the recoverable value (which however may not exceed the net carrying amount that the asset would have had in the absence of the write-down). This recovery is immediately recognised to the income statement.

Financial assets

The Group classifies financial assets in the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss for the year;
- financial assets measured at fair value through other comprehensive income items.

The Group establishes the classification on the basis of the business model used to manage financial assets and according to the characteristics of the contractual cash flows of the financial asset.

The financial assets are initially recognized at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. Trade receivables which do not contain a significant financial component are however initially measured at their transaction price.

On initial recognition, financial assets are classified to one of the above categories and may not subsequently be reclassified to other categories, except where the Group amends its business model for their management.

The Group recognises under doubtful debts the expected losses for financial assets measured at amortised costs, the assets deriving from contracts and debt securities measured at fair value through other comprehensive income. The expected losses are calculated over the full duration of the receivable, awaiting the results of various scenarios on the basis of their probability and discounting the amounts utilising the effective interest criterion.

The classification between current and non-current reflects the expectations of the management on their trading:

Financial assets measured at amortised cost

This category includes financial assets Held to Collect contractual cash flows, represented only by the payments in capital and interest on the amount of the capital to be repaid. This category includes outstanding receivables and loans. These assets are measured at amortised costs, in accordance with the effective interest criterion, reduced for impairment. These are included in current or non-current assets on the basis of whether the contractual maturity is less than or greater than twelve months from the reporting date. Interest income, exchange gains and losses and impairments are recognised to the profit or loss for the year, as are derecognition gains and losses.

Financial assets measured at fair value through profit or loss for the year

This category includes financial assets not classified as measured at amortised cost or fair value through other comprehensive income. This category includes derivative instruments and financial assets held for trading. The fair value of the financial assets held for trading is calculated on the basis of the market prices at the reporting date or the interim reports, or through financial measurement techniques and models.

Financial assets measured at fair value through other comprehensive income items

This category includes financial assets held with the dual purpose of collecting the contractual cash flows, represented only by the payment of capital and of interest on the amount of capital to be repaid, and the sale of financial assets (Held to Collect and Sell).

Inventories

Inventories are measured at the lower of the acquisition or production cost and the net market value, defined as the estimated sales price less expected completion costs and expenses necessary to carry out the sale. In particular, raw materials, semi-finished products and work-in-progress are initially recognised at acquisition or production cost. The purchase costs include the cost paid to suppliers plus accessory charges incurred until the entry of the goods to Group warehouses, net of discounts. Production costs include costs incurred to bring the asset to its location and state at the reporting date: they include costs specific to the individual assets or categories of assets and general preparation costs (general production expenses). Inventories are measured according to the FIFO method. This calculation method is considered most suitable for providing a true and fair view, in addition to a uniform representation of the Group's equity position and earnings. Inventories thus calculated may be adjusted by a write-down provision to take account of obsolete or slow moving materials on the basis of their future utility or realisation.

Contract work-in-progress

Contract work-in-progress (or construction contracts) concerns contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their final use. This principally concerns development and production activities in the space sector.

Where the result of a construction contract may be reliably estimated, contract work-in-progress is valued according to the percentage of completion method, with application to the contractual value for each obligation included in the contract, whereby the costs, revenues and the relative margin are recognised according to the advancement of production activities. For the calculation of the percentage of completion, the ratio between production costs incurred to date and forecast total costs for the entire works (cost-to-cost) is adopted, on the basis of updated estimates at the reporting date. Periodically, the assumptions underlying the measurements are updated. The changes to the contract, the revision prices and the incentives are included for those amounts

agreed with the buyer; the variable elements of the contractual consideration are estimated on signing. Any economic effects are recognised in the period in which the updates are made.

Given the engineering complexity and multi-year duration of contract work in progress, the related fees, in addition to the fee established in the original contract, may include subsequent additional fees. Such additional fees may be of a varying nature, such as, by way of example, additional fees required for increased activities incurred and/or to be incurred due to variations in work or events not foreseeable at the date of signing of the original contract requested by the client, or for increased charges incurred and/or to be incurred not foreseeable by the parties at the date of signing of the original contract. The determination of additional fees is, by its very nature, subject in part to a degree of uncertainty both in terms of the amounts that will be recognized by the client and on the timing of contract formalisation.

These additional fees are traced back to the case of contractual changes approved by both contracting parties in writing or through business practices.

A contract amendment can exist even though there are still ongoing definitions about the subject matter and/or price of the contract as long as there is the enforceable right. Having identified the chargeable right, for the purpose of recording such additional consideration, for the purpose of adjusting the transaction price the circumstance that the associated revenue will not be reversed in the future is considered highly probable.

The project costs are recorded as expenses in the year in which they are incurred.

Where the result of a construction contract may not be estimated reliably, the revenues related to the relative contract are recorded only within the limits of the project costs incurred which will probably be recovered. The project costs are recorded as expenses in the year in which they are incurred.

Account is in addition taken of charges to be incurred following closure of the order and those for expected losses through accruals to the risks provisions; in particular, any losses on contracts are recognised to the income statement in their entirety once noted.

Contract work-in-progress is stated to the assets section of the Balance Sheet net of advances invoiced to clients. The analysis is made by individual order: where the value of the individual order is greater than the advances, the positive differential is classified to the account considered in the Balance Sheet; where the value of the individual order is lesser than advances, the negative differential is classified to "Advances from clients for contract work-in-progress" in the Balance Sheet.

Trade and Other Receivables

Receivables are initially stated at fair value, corresponding to their nominal value, and subsequently measured according to the amortised cost method, net of a write-down provision.

In relation to trade receivables and other receivables, the Group has applied the simplified approach indicated by IFRS 9 to measure the doubtful debt provision as the expected loss over the life of the receivable. The Group measures the amount of expected losses in relation to these elements through the use of a provisioning matrix, estimated on the basis of historic experience of receivable losses according to creditor due dates, adjusted to reflect current conditions and estimates concerning future economic conditions. Consequently, the credit risk profile of these assets is presented according to due dates on the basis of the provisioning matrix.

The Group does not undertake the factoring of receivables.

Cash and cash equivalents

These include cash, liquid bank deposits and other current readily tradable financial investments which may be quickly converted into cash and for which the risk of changes in value is insignificant.

Research and development tax credits

Research and development tax credits relating to Decree-Law No. 145 of December 23, 2013, converted, with amendments, by Law No. 9 of February 21, 2014, as amended by Law No. 232 of December 11, 2016 (the "2017 Budget Act") and the 2019 Budget Act (Art. 1, paragraphs 70-72, of Law No. 145 of December 30, 2018) are recognized to the extent that the tax credit is considered recoverable and utilizable, while ensuring that only the benefit for which it is reasonable certain that the entity has met the established requirements is quantified. These credits are initially recorded in the account "Other current assets" and recognised 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 in the accounts "Service costs" and "Change in contract work in progress".

Treasury shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised as equity movements.

Financial liabilities

Non-current financial liabilities and current account overdrafts are classified to this account, in addition to current and non-current payables which, although arising from commercial or however non-financial transactions, are negotiated at particular conditions as undertaken as a financial transaction, therefore de facto making them financial receivables. Current and non-current financial payables are initially recognised at fair value, less transaction costs incurred, and are subsequently valued at amortised cost utilising the effective interest rate method.

Non-current financial payables due within twelve months from the reporting date are classified to the "Current portion of non-current financial payables" account.

Employee provisions

Employees of Group companies enjoy post-employment benefits which may consist of defined contribution pension plans or defined benefit plans, and other long-term benefits, according to the conditions and local practices of the countries in which such companies operate.

Post-employment benefits

The accounting treatment of pension plans and of other post-employment benefits depends on their type.

Defined contribution plans are plans for benefits upon conclusion of employment for which the Group companies have made fixed contributions to a legally separate entity on an obligatory, contractual or voluntary basis, in the absence of which legal or implied obligations exist to make additional payments where the entity does not have sufficient assets to pay all of the pension benefits matured concerning employment services provided in the present and previous years. The contributions to be paid are recognised to the income statement on an accruals basis to personnel expenses.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The obligation to fund the defined benefit pension plans and the annual cost recognised to the income statement are determined by independent actuarial valuations using the projected unit credit method, on the basis of one or more factors such as age, years of service and expected future remuneration.

Actuarial gains and losses relating to defined benefit plans deriving from changes to the actuarial assumptions and adjustments based on past experience are immediately recognised in the period in which they arise to other comprehensive income/(losses) and are never reclassified to the income statement in subsequent periods.

The liabilities for post-employment benefits recorded in the balance sheet represent the present value of the liabilities for the defined benefit plans adjusted to take into account any actuarial profits and losses not recorded and reduced by the fair value of the asset plan, where existing. Any net assets calculated on this basis are recognised up to the amount of the actuarial losses and the cost for prior benefits not previously recognised, in addition to the present value of available repayments and the reductions in the future contributions to the plan. Defined benefit plan costs are classified to personnel expenses, except for any costs associated with the increase in the present value of the obligation nearer to the payment date which are recognised under financial charges.

Until December 31, 2006, the post-employment benefits of the Italian companies were considered as defined benefit plans. The regulations of this provision were extensively modified by Law No. 296 of December 27, 2006 ("2007 Finance Act") and subsequent Decrees and Regulations.

In view of these changes, and particularly for companies with at least 50 employees, this provision is now to be considered a defined benefit plan exclusively for the amounts matured prior to January 1, 2007 (and not settled at the balance sheet date), while subsequent to this date they are similar to a defined contribution plan. Consequently, post-employment benefits matured subsequently to this date assume the nature of defined contribution plans, with exclusion therefore of actuarial estimate components in the calculation of the cost for the period. Post-employment benefits matured until December 31, 2016 remain valued as defined benefit plans

according to actuarial processes, excluding however from the calculation the component relating to future salary increases.

Other long-term benefits

The accounting treatment of other long-term benefits is similar to that for defined benefit plans, with the exception of the fact that the actuarial gains and losses are entirely recognised to the income statement in the period in which they arise.

Share based payment plans

The Group grants additional benefits to employees on the basis of special free share award plans. The related cost, determined in accordance with IFRS 2 - Share-based Payments, is recognized in the income statement on a straight-line basis over the vesting period with a direct offset in equity.

Subsequent changes in the fair value to the assignment date do not have an effect on the initial value.

Provisions for risks and charges

The Group records provisions for risks and charges when it has a current obligation from a past event, legal or implicit, to third parties, and it is probable that it will be necessary to use resources of the Group to settle the obligation, and a reliable estimate of the amount can be made. Provisions are made based on the best estimate of the cost of fulfilling the obligation at the reporting date. Where the effect is significant, the provision is discounted and its increase due to the passage of time is subsequently recognised to the financial charges account of the Income Statement.

In the case of legal disputes, the amount of the provisions is calculated on the basis of risk assessments in order to calculate the probability, timing and the amounts involved.

In the case of liabilities for future dismantling, removal and reclamation charges relating to a tangible asset, the provision is recognised against the asset to which it refers; the charge is recognised to the income statement through the depreciation of the tangible asset to which the charge refers to.

The provisions are re-examined at each reporting date and adjusted to reflect any improvement to the present estimates; any changes to the estimate are reflected in the income statement in the period in which the change occurs.

Risks that may only potentially result in a liability are disclosed in the Explanatory Notes without any amounts being set aside.

Trade payables

Trade payables with maturities within the normal commercial terms are not discounted and recognised at the nominal value considered representative of the settlement value.

Trade payables are recognised to current liabilities, except where the Group has the contractual right to settle its obligations beyond 12 months from the reporting date.

Payables for disbursements in accordance with Law 808/85

These payables are recognised to the financial statements at nominal value and classified to "Other non-current liabilities" and "Other current liabilities".

Revenue recognition

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be measured reliably. Revenues are recognised on an accruals basis at the fair value of the amount received or due, less VAT, returns, premiums and discounts.

Revenues from the sale of goods are recognised where the Group has transferred to the purchaser the significant risks and benefits related to ownership of the goods, which generally coincides with shipping. In addition, the Group establishes whether contractual conditions are in place which represent obligations on which the consideration of the transaction should be allocated (e.g. guarantees), in addition to effects from the existence of variable payments, significant financial components or non-monetary consideration and to be paid to the client. In the case of variable payments, the amount of the consideration is estimated on the basis of the amount expected on the transfer of control of the goods to the client; this consideration is estimated on the signing of the contract and may be recognised only when highly probable. Revenues from the provision of services are recognised according to the stage of completion of the services, based on the same criteria as for contract work-in-progress. In addition, where the result from the provision of services may not be reliably estimated, revenues are recognised only to the extent to which the relative costs are recoverable.

Revenues include also the changes in contract work-in-progress concerning long-term orders recognised according to the state of advancement of works against the sales price (as described in greater detail in the Contract works-in-progress note).

Interest income is recorded on an accruals basis, according to the amount financed and the effective interest rate applicable. This is the rate at which the expected future cash flow over the life of the financial asset is discounted to equate them with the carrying amount of the asset.

Dividends received

Dividends of non-consolidated companies are recognised in the period in which the right of shareholders to receive payment is established.

Grants

Grants from public bodies are recorded when there is a reasonable certainty that the conditions required to obtain them will be satisfied by the Group and that they will be received. Such grants are generally recorded in the income statement on a straight-line basis over the period in which the related costs are recorded.

In particular, grants obtained against investments in fixed assets and capitalised development costs are recognised to "Other non-current liabilities" or "Other current liabilities" in the liabilities section of the balance sheet and to the income statement on the basis of the residual duration of the depreciation of the assets to which they refer. Where a grant is awarded in a period after the start of the depreciation period of the asset, the portion of the grant relating to the prior periods is recorded in the income statement as other income.

The accounting treatment of benefits deriving from a public loan obtained at a reduced rate is similar to that for public grants. This benefit is calculated at the beginning of the loan as the difference between the initial book value of the loan (fair value plus direct costs attributable to obtaining the loan) and that received, and subsequently recorded in the income statement in accordance with the regulations for the recording of public grants.

Costs

Costs are recognised on an accruals and going concern basis for the Group companies, less VAT and returns, discounts and premiums. Provisions are recognised to the financial statements according to the methods described in the provisions for risks and charges note.

Interest charges are recognised on an accruals basis, according to the amount lent and the effective interest rate applicable.

Income taxes

Income taxes comprise of current and deferred taxes.

Current taxes are calculated on the estimated assessable result for the year and according to the applicable tax rates of the various countries in which the Group companies operate.

The assessable fiscal result differs from the result recorded in the income statement as it excludes positive and negative components that will be assessable or deductible in other periods and also includes accounts that are never assessable or deductible. The liability for current income taxes is calculated using the current rates at the reporting date.

The Company and its Italian subsidiaries adhered to the national tax consolidation regime pursuant to Article 117/129 of the Consolidated Finance Act (CFA). Avio S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration. The Group has exercised the tax consolidation option for the three-year period 2024-2025-2026.

Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. Avio S.p.A. recognises a receivable for companies contributing taxable income, corresponding to the amount of IRES to be payable, in accordance with the consolidation contract. For companies contributing a tax loss, Avio S.p.A. recognises a payable for the amount of the loss actually set off at Group level, in accordance with the consolidation contract.

The IRAP payable is recorded under "Current tax payables" net of any payments of account in the year.

Deferred tax assets and liabilities are the taxes that are expected to be recovered or paid on the temporary differences between the carrying value of the assets and of the liabilities in the financial statements and the corresponding fiscal value utilised in the calculation of the assessable income, accounted under the liability method. Deferred tax liabilities are generally recorded on all temporary assessable differences, while deferred tax assets are recorded based on the probability that the future assessable results will permit the use of the temporary deductible differences. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combinations) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result. The tax benefit from the carrying forward of tax losses is recorded upon, and to the extent of its probable availability, future assessable income arises for the utilisation of the losses. Deferred tax assets and liabilities are also calculated with regards to the consolidation adjustments.

The deferred tax liabilities are recognised on the temporary assessable differences relating to investments in subsidiary, associated and jointly controlled companies with the exception of the where the Group is capable of controlling the elimination of these temporary differences and it is probable that this latter will not be eliminated in the foreseeable future.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred tax assets and liabilities are calculated based on the tax rates that are expected to be in force in the various countries where the Group operates on realisation of the asset or settlement of the liability. Current and deferred taxes are recognised directly to the income statement with the exception of those relating to accounts directly recognised to equity, in which case the taxes are also recognised to equity. Deferred tax assets and liabilities are offset when there is a direct right to compensate the tax assets and liabilities, when they concern the same company and when they refer to income taxes due to the same fiscal authority and the Group intends to pay the amount on a net basis. The balance following the offset, where positive, is recognised to "Deferred tax assets" and, where negative, to "Deferred tax liabilities".

Dividends distributed

Dividends payable by the Group are represented as changes to equity and recognised to current liabilities in the period in which distribution is approved by the Shareholders' Meeting.

2.8. Risk management

Credit risk

The Group has a concentration of credit risk due to the nature of its operating markets. Overall, trade receivables have a concentration risk in the European Union market. Trade receivables are recognised net of write-downs calculated in view of counterparty non-settlement risk, assessed according to the information available upon customer solvency and considering also historic data.

Liquidity risk

The Group's liquidity risk arises from the difficulty to obtain according to an acceptable timeframe and financial conditions the funding to support operating and investing activities and repayments. The principal factors which influence the liquidity of the Group 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, in order to ensure the timely and efficient sourcing of funding or the appropriate investment of liquidity.

The current difficult economic, Group market and financial environment requires a close focus on liquidity risk and therefore particularly on the generation of funding through operations and the establishment of a sufficient level of liquidity to meet Group obligations.

Management considers that the currently available funds, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements for investment activities, working capital management and the repayment of debt on maturity.

Currency and interest rate risk

The company has a loan with the European Investment Bank (EIB) for Euro 40 million - increasing Euro 50 million in 2019 - at a fixed interest rate for 7 years for a residual total of Euro 2 million.

Further qualitative and quantitative information on the financial risks to which the Group is subject is reported at Note 6 "Financial instruments and risk management policies".

2.9. Use of estimates

The preparation of the financial statements and the relative Explanatory Notes in application of IFRS requires the making of estimates and assumptions on the values of the assets and liabilities recorded, on the information relating to the assets and contingent liabilities at the reporting date and on the amount of costs and revenues.

Actual results may differ from estimates due to the uncertainty regarding the assumptions and conditions upon which the estimates are based. The estimates and assumptions are reviewed periodically by the Group according to the best information on Group operations and other factors reasonably discernible from current circumstances. The effects of all changes are immediately reflected in the income statement.

The current global economic environment, impacting the Group's business area, resulted in the need to make assumptions on a future outlook characterized by uncertainty, for which it cannot be excluded that results in the next year or in subsequent years will differ from such estimates and which therefore could require adjustments, clearly not possible to currently estimate or forecast, to the carrying amounts of the relative items. The estimates and assumptions are utilised in differing areas, such as non-current assets, deferred tax assets, the doubtful debt provision, the inventory obsolescence provision, the employee benefit plans, contingent liabilities and other risks provisions, in addition to an estimation of costs to complete orders and the relative state of advancement.

The principal measurement processes and key assumptions used by management in applying IFRS and which may have significant effects on the values recorded in the consolidated financial statements or give rise to significant adjustments to the accounting values of assets and liabilities in the year subsequent to the reporting date are summarised below.

Recoverable value of non-current assets

Non-current assets include Property, plant and machinery, Goodwill, Intangible assets with definite useful life and Investments. The Group periodically reviews the carrying value of the non-current assets held and utilised and of any assets to be disposed of, when events and circumstances require such. For Goodwill, this analysis is carried out at least annually and wherever required by circumstances. The recoverability analysis of the carrying amount of non-current assets is generally made utilising the estimates of the future cash flows expected from the utilisation or from the sale of the asset and adjusted by discount rates for the calculation of the fair value. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down for the excess between the carrying amount of the asset and its recoverable amount through use or sale, with reference to the cash flows of the Group's most recent long-term plans.

The estimates and assumptions used for these analyses reflect the Group's knowledge upon developments concerning the business in which it operates and take account of reasonable estimates on future developments of the market and the aerospace sector, which remains subject to uncertainty also in view of the continued economic-financial crisis and its effect on the international economic environment. Although present Group estimates do not indicate impairments to non-current assets further than those recognised in these financial statements, any changes to this economic environment and divergent Group performances may result in differences from the originally estimates and, where necessary, adjustments to the carrying amount of certain non-current assets.

Recoverability of deferred tax assets

At December 31, 2024, the consolidated financial statements present deferred tax assets concerning deferred tax deductible income components, for an amount whose recovery in future periods is considered probable by management. 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.

Doubtful debt provision

The doubtful debt provision reflects the estimate of losses related to the Group's receivables portfolio. The accruals were made against expected losses on receivables, estimated according to past experience with regards to receivables with similar credit risk, current and historic unsettled amounts, reversals and receipts, in addition to the close monitoring of the quality of the client portfolio and present and forecast economic and market conditions.

Inventory obsolescence provision

The inventory obsolescence provision reflects management estimates on expected Group losses in value, based on past experience and historic and forecast market developments and any obsolescence or slow movement for technical or commercial reasons.

Employee benefit plans

Employee benefit provisions and net financial charges are valued according to an actuarial method which requires the use of estimates and assumptions for the calculation of the net value of the obligation. This process is based on estimates made periodically by actuarial consultants utilising a combination of statistical-actuarial factors, including statistics concerning prior years and estimates of future costs. Mortality and retirement indices, assumptions upon future discount rates, salary growth rates and inflation rates, in addition to analyses upon healthcare costs, are also considered as estimate components.

Changes to any of these parameters may impact future provision contributions. Following the adoption of IAS 19 revised with regards to the recognition of actuarial gains and losses generated by the valuation of employee benefit liabilities and assets, the effects deriving from the update to the estimates of the above-indicated parameters are recorded to the Balance Sheet through recognition to Group Equity of a specific reserve, with presentation in the comprehensive income statement.

Provision for risks, charges & contingent liabilities

The Group accrues a liability against disputes in progress when it considers it probable that there will be a financial payable and when the amount of the losses arising can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the financial statements.

The Group is involved in legal and tax cases regarding differing types of issues which are subject to varying degrees of uncertainty on the basis of their complexity, jurisdiction and applicable law. During the normal course of business, the Group monitors the state of cases in progress and liaises with its legal consultants and legal and tax experts; the value of the provisions for legal cases and disputes of the Group may therefore vary according to the future development of cases in progress.

In addition, the Group operates within sectors and markets where certain problems of a commercial nature may only be resolved after the lapsing of significant periods of time, requiring therefore an estimate by management on the outcome of these disputes and challenges through the monitoring of contractual conditions and the individual cases.

Valuation of contract work-in-progress

The Group operates according to particularly complex contracts, some of which recognised to the financial statements through the percentage of completion method. In these cases, the margins recognised to the income statement are dependent both on the advancement of the order and the margins expected on the entire works following completion: therefore, the correct recognition of works-in-progress and of margins upon works not yet concluded assumes a correct estimate by management on finishing costs, contractual changes, in addition to delays, extra costs and penalties which may impact the expected margin. Please also refer to what is stated in the section "Contract work in progress" in section "2.7. Accounting standards and basis of preparation".

The Company provides frameworks for managing and analysing contract risks that derive from Risk Assessment. These frameworks identify for each risk:

- the type;
- the risk owners;
- the probability of occurrence;
- the potential economic, operational, and reputational impact;
- the actions planned to monitor and manage these risks.

The identified risks essentially fall within the following types:

- Risk of mismatch between available resources and resource requirements for production and development activities;
- Risk of missed deadlines in production and development programme management;
- Risk of failure within manufacturing and/or research and development programmes;
- Risk associated with the recognition of contract fees.

Contract risk management and analysis frameworks include a set of procedures, processes, indicators (KPIs), meetings, and systems (including Enterprise Project Management - EPM and SAP) to oversee risks and their management.

Other

In addition to the accounts listed above, estimates were used to value certain financial assets and liabilities, remuneration plans for selected managers and to measure the fair value of assets acquired and of liabilities assumed through business combinations.

2.10. New accounting standards

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 accounting standards, amendments and interpretations endorsed by the EU at December 31, 2024, not yet mandatory and not adopted in advance by the Group at December 31, 2024

The following IFRS accounting standards, amendments and interpretations were approved by the EU, but are not yet mandatory and have not been not adopted in advance by the Group at 31 December 2024:

- 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.

IFRS standards, amendments and interpretations not yet endorsed by the European Union at December 31, 2024

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 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 Group is not a first-time adopter, this standard is not applicable.
- 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 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 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 July 18, 2024, the IASB published a document called "**Annual Improvements Volume 11**". The document includes clarifications, simplifications, corrections and changes to improve the consistency of several IFRS Accounting Standards. The modified standards are:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and related guidance on the implementation of IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The amendments will be applicable from January 1, 2026, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 18, 2024, the IASB published an amendment entitled "**Contracts Referencing Nature-dependent Electricity - Amendment to IFRS 9 and IFRS 7.**". The document seeks to support entities in reporting the financial effects of renewable electricity purchase agreements (often structured as Power Purchase Agreements). Based on these contracts, the amount of electricity generated and purchased can vary based on uncontrollable factors such as weather conditions. The IASB has made targeted amendments to IFRS 9 and IFRS 7. The amendments include:
 - a clarification regarding the application of "own use" requirements to this type of contract;
 - the criteria for allowing such contracts to be accounted for as hedging instruments; and,
 - the new disclosure requirements to enable financial statement users to understand the effect of these contracts on an entity's financial performance and cash flows.

The amendment will be applicable from January 1, 2026, although advance application is permitted. The directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET	Note	December 31, 2024	December 31, 2023
<i>(in Euro)</i>			
ASSETS			
Total non-current assets			
Property, plant and equipment	3.1	173,287,980	155,866,000
Right-of-use	3.2	11,693,104	8,513,118
- of which related parties		701,420	838,655
Investment property	3.3	3,886,603	3,784,642
Intangible assets with definite life	3.4	128,756,958	126,222,348
Goodwill	3.5	62,829,038	62,829,038
Investments	3.6	17,416,277	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	87,547,395	81,200,112
Other non-current assets	3.9	7,941,714	67,599,761
Total non-current assets		495,369,241	525,607,264
Current assets			
Inventories and Advances to Suppliers	3.10	314,100,878	284,427,153
- of which related parties		52,340,831	66,495,501
Contract work-in-progress	3.11	154,980,725	123,472,715
- of which related parties		25,119,162	16,561,817
Trade receivables	3.12	3,073,893	2,943,798
- of which related parties		1,549,828	1,287,722
Cash and cash equivalents	3.13	101,684,489	95,593,462
Tax receivables	3.14	18,877,868	16,023,877
Other current assets	3.15	4,293,069	7,036,837
- of which related parties		5,208	31,088
Total current assets		597,010,923	529,497,842
TOTAL ASSETS		1,092,380,164	1,055,105,106

CONSOLIDATED BALANCE SHEET**Note December 31, 2024 December 31, 2023***(in Euro)***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	16,827,362	14,643,773
Retained earnings		58,026,804	57,600,667
Group net profit		6,087,126	6,487,372
Total Group Equity		302,826,189	300,616,709
Equity attributable to non-controlling interests	3.20	10,033,935	9,736,010
TOTAL EQUITY		312,860,124	310,352,719

LIABILITIES**Total non-current liabilities**

Non-current financial payables	3.21	30,158	2,051,250
Non-current financial payables for leasing	3.22	6,546,943	5,619,845
- of which related parties		557,361	697,780
Employee Benefit Provisions	3.23	9,493,098	8,915,891
Provisions for risks and charges	3.24	19,519,522	25,435,752
Other non-current liabilities	3.25	15,852,150	75,062,281
Total non-current liabilities		51,441,871	117,085,019

Current liabilities

Current financial liabilities		21,091	25,509
- of which related parties	3.26	0	0
Current financial liabilities for leasing	3.27	2,992,583	1,746,805
- of which related parties		115,554	134,937
Current portion of non-current financial payables	3.28	2,003,000	10,018,000
Provisions for risks and charges	3.24	22,782,909	18,401,797
Trade payables	3.29	109,212,922	113,159,259
- of which related parties		5,818,149	5,291,293
Advances from clients for contract work-in-progress	3.11	555,600,888	452,830,019
- of which related parties		98,485,533	79,136,521
Current income tax payables	3.30	3,359,493	2,512,648
Other current liabilities	3.31	32,105,282	28,973,331
- of which related parties		105,425	124,617
Total current liabilities		728,078,170	627,667,368

TOTAL LIABILITIES**779,520,041 744,752,387****TOTAL LIABILITIES AND EQUITY****1,092,380,164 1,055,105,106**

CONSOLIDATED INCOME STATEMENT	Note	FY 2024	FY 2023
<i>(in Euro)</i>			
Revenues	3.32	480,420,410	343,696,288
- of which related parties		125,481,772	106,331,409
Change in inventory of finished products, in progress and semi-finished		2,556,023	13,010,962
Other operating income	3.33	8,853,698	8,689,402
- of which related parties		395,271	429,056
Consumption of raw materials	3.34	(146,433,178)	(113,434,271)
Services	3.35	(210,054,540)	(141,335,412)
- of which related parties		(64,913,085)	(37,400,575)
Personnel expense	3.36	(110,119,535)	(93,967,863)
Amortisation & depreciation	3.37	(17,436,068)	(15,283,386)
Other operating costs	3.38	(5,418,621)	(4,724,851)
Effect valuation of investments under equity method - operating income/(charges)	3.39	(165,796)	(527,987)
Costs capitalised for internal works	3.40	6,180,704	9,105,108
EBIT		8,383,098	5,227,990
Financial income	3.41	726,398	2,930,433
- of which related parties		-	-
Financial charges	3.42	(2,345,994)	(1,517,375)
- of which related parties		(9,581)	(308,738)
NET FINANCIAL INCOME/(CHARGES)		(1,619,597)	1,413,058
Other investment income/(charges)		-	-
INVESTMENT INCOME/(CHARGES)		-	-
PROFIT BEFORE TAXES		6,763,501	6,641,048
Income taxes	3.43	(378,317)	(17,020)
NET PROFIT		6,385,184	6,624,028
-- of which: Owners of the parent		6,087,126	6,487,372
Non-controlling interests		298,058	136,656
Basic earnings/(losses) per share	3.44	0.24	0.26
Diluted earnings/(losses) per share	3.44	0.23	0.25

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	FY 2024	FY 2023
<i>(in Euro)</i>		
NET PROFIT FOR THE YEAR (A)	6,385,184	6,624,028
Other comprehensive income items:		
- Actuarial gains/(losses) - Actuarial gains/losses reserve	(50,671)	(113,348)
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)	27,576	16,632
TOTAL OTHER COMPREHENSIVE INCOME ITEMS, NET OF TAX EFFECT (B)	(23,095)	(96,716)
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR (A+B)	6,362,089	6,527,312
-- of which: Owners of the parent	6,064,164	6,390,206
Non-controlling interests	297,925	137,105

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(Euro thousands)

				Other reserves					Retained earnings	Group result	Total Group Equity	Non-controlling interest equity	Total equity
	Share capital	Share premium reserve	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	-		-
Distribution of dividends of the parent company Avio S.p.A.											-		-
Use of treasury shares											-		-
Acquisition of treasury shares											-		-
Other changes		234	234	(234)			568	(23)	(214)		564		564
Comprehensive income/(loss) for the year													
- Net profit/(loss) for the year										6,487	6,487	137	6,624
- Other changes											-		-
- Actuarial gains/(losses), net of tax effect						(97)				(97)			(97)
Comprehensive income/(loss) for the year	-	-	-	-	-	(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							2,218	(13)	(60)		2,146		2,146
Comprehensive income/(loss) for the year													
- Net profit/(loss) for the year										6,087	6,087	298	6,385
- Other changes											-		-
- Actuarial gains/(losses), net of tax effect						(23)				(23)			(23)
Comprehensive income/(loss) for the year	-	-	-	-	-	(23)	-	-	-	6,087	6,064	298	6,362
Equity at 31/12/2024	90,964	130,921	(13,335)	13,335	18,193	(4,149)	2,840	(57)	58,027	6,087	302,827	10,034	312,861

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro thousands)

		2024	2023
OPERATING ACTIVITIES			
Net profit for the year		6,385	6,624
Adjustments for:			
- Income taxes		378	17
- (Income)/charges from measurement at equity of investment in Europropulsion S.A.		166	528
- Financial (Income)/Charges			
- Amortisation & Depreciation		17,436	15,283
Net change provisions for risks and charges		(1,535)	(9,542)
Net change employee provisions		554	(705)
Changes in:			
- Inventories and Advances to suppliers		(29,674)	(81,854)
- <i>of which related parties</i>		14,155	(16,667)
- Contract work-in-progress & advances from clients		71,263	88,096
- <i>of which related parties</i>		10,792	15,540
- Trade receivables		(130)	782
- <i>of which related parties</i>		(262)	832
- Trade payables		(3,946)	23,334
- <i>of which related parties</i>		527	(12,296)
- Other current & non-current assets		(5,019)	(2,064)
- <i>of which related parties</i>		26	(29)
- Other current & non-current liabilities		4,816	2,177
- <i>of which related parties</i>		(19)	(194)
Income taxes paid		-	(51)
Interest paid		(431)	(143)
Net liquidity generated/(employed) in operating activities	(A)	60,262	42,482
INVESTING ACTIVITIES			
Investments in:			
- Tangible assets and investment property		(23,144)	(23,242)
- Intangible assets with definite life		(12,017)	(13,103)
- Equity Investments		-	(2,505)
Disposal price of tangible, intangible & financial assets		-	-
Liquidity generated (employed) in investing activities	(B)	(35,161)	(38,850)
FINANCING ACTIVITIES			
EIB loan		(10,000)	(10,000)
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)	
Dividends attributable to minorities of subsidiaries		-	-
Acquisition of treasury shares		-	-
Other changes to financial assets and liabilities		(3,011)	(1,672)
- <i>of which related parties</i>		(23)	(19)
Liquidity generated (employed) in financing activities	(C)	(19,011)	(39,441)
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(A)+(B)+(C)	6,091	(35,809)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		95,593	131,403
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		101,684	95,593

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 December 31, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			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	89,464	(26,624)	62,839	83,593	(24,752)	58,840
Plant & machinery	98,221	(70,257)	27,964	93,237	(68,408)	24,829
Industrial & commercial equipment	19,894	(18,458)	1,436	19,570	(18,119)	1,451
Other assets	19,575	(12,779)	6,796	16,608	(11,401)	5,206
Assets in progress and advances	59,602	-	59,602	50,889	-	50,889
Total	301,407	(128,118)	173,288	278,547	(122,681)	155,866

The changes in the year 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	31/12/2024
Land	14,651	-	-	-	14,651
Buildings	83,593	5,871	-	-	89,464
Plant & machinery	93,237	4,984	-	-	98,221
Industrial & commercial equipment	19,570	334	(10)	-	19,894
Other assets	16,608	3,045	(79)	2	19,575
Assets in progress and advances	50,889	9,677	-	(964)	59,602
Total	278,547	23,910	(89)	(962)	301,407

The increases in the year of Euro 23,910 thousand mainly concern:

- assets in progress and advances for Euro 9,677 thousand. These investments mainly concerned the works to construct the infrastructure for the Next-Gen EU projects for Euro 4,635 thousand, and maintenance expenses and for other assets for Euro 3,557 thousand;
- plant and production machinery amounting to Euro 4,984 thousand, mainly to achieve increased flight cadence;
- buildings amounting to Euro 5,871 thousand, mainly related to extraordinary maintenance and construction of sites for equipment and product storage.
- Other assets amounting to Euro 3,045 thousand, mainly relating to IT equipment and furnishings related to the Group's administrative site;
- equipment amounting to Euro 334 thousand, mainly relating to production control instruments;

The following movements in accumulated depreciation are reported in 2024 (in Euro thousands):

Gross values	31/12/2023	Increases	Decreases for disposals	Reclassifications and other changes	31/12/2024
Buildings	(24,752)	(1,870)	-	-	(26,624)
Plant & machinery	(68,408)	(1,828)	-	(2)	(70,257)
Industrial & commercial equipment	(18,119)	(348)	9	(21)	(18,458)
Other assets	(11,401)	(1,462)	-	84	(12,779)
Total	(122,681)	(5,508)	9	61	(128,118)

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 assets at December 31, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land right-of-use	3,066	(717)	2,349	2,570	(571)	1,999
Buildings right-of-use	7,213	(3,095)	4,117	7,109	(3,188)	3,921
Plant and machinery right-of-use	1,690	(959)	731	1,690	(793)	897
Other assets right-of-use	7,714	(3,217)	4,496	3,996	(2,300)	1,696
Total	19,681	(7,989)	11,693	15,365	(6,852)	8,513

The gross values of these rights at December 31, 2024 (in Euro thousands) are reported below:

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	31/12/2024
Land right-of-use	2,570	496	-	-	3,066
Buildings right-of-use	7,109	1,581	(1,144)	(335)	7,213
Plant and machinery right-of-use	1,690	-	-	-	1,690
Other assets right-of-use	3,996	4,237	(519)	-	7,714
Total	15,365	6,313	(1,663)	(335)	19,681

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 Paris (France), 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 6,313 thousand mainly concern the new company use vehicle lease contracts, the new apartment lease contracts/renewals for the employees in Guiana, where the spaceport is located, and the new lease contract for the Avio branch located in Paris.

The decreases, amounting to Euro 1,663 thousand, related to the termination of lease contracts for vehicles and apartments for employees.

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

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	31/12/2024
Land right-of-use	(571)	(146)	-	-	(717)
Buildings right-of-use	(3,188)	(881)	637	337	(3,095)
Plant and machinery right-of-use	(793)	(166)	-	-	(959)
Other assets right-of-use	(2,300)	(1,227)	310	-	(3,217)
Total	(6,852)	(2,421)	948	337	(7,989)

3.3. INVESTMENT PROPERTY

The values of Investment property at December 31, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			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	3,391	(1,338)	2,053	3,258	(1,307)	1,951
Total	5,225	(1,338)	3,887	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 in 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	31/12/2024
Land	1,834	-	-	-	1,834
Buildings & facilities	3,258	135	(2)	-	3,391
Total	5,092	135	(2)	-	5,225

The following movements in accumulated depreciation are reported in 2024 (in Euro thousands):

Accumulated depreciation	31/12/2023	Depreciation	Utilisations	Reclassifications and other changes	31/12/2024
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 December 31, 2024 are shown net of the accumulated amortisation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			31/12/2023		
	Gross values	Accumulated amortisation	Net book value	Gross values	Accumulated amortisation	Net book value
Development costs - amortisable	71,685	(19,518)	52,167	71,685	(15,949)	55,736
Development costs - in progress	29,523	-	29,523	27,148	-	27,148
Total development costs	101,208	(19,518)	81,690	98,833	(15,949)	82,884
Assets from PPA	46,616	(23,383)	23,233	46,616	(20,275)	26,341
Concessions, licenses, trademarks and similar rights	27,427	(15,004)	12,422	20,433	(12,507)	7,926
Other	16,181	(5,061)	11,120	13,524	(4,743)	8,780
Assets in progress and advances	291	-	291	291	-	291
Total	191,723	(62,966)	128,757	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.

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, mainly referring to new liquid oxygen and methane engines.

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 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	31/12/2024
Development costs - amortisable	71,685	-	-	-	71,685
Development costs - in progress	27,148	2,375	-	-	29,523
Total development costs	98,833	2,375	-	-	101,208
Assets from PPA	46,616	-	-	-	46,616
Concessions, licenses, trademarks and similar rights	20,433	6,985	-	9	27,427
Other	13,524	2,657	-	-	16,181
Assets in progress and advances	291	-	-	-	291
Total	179,697	12,017	-	9	191,723

The increases in 2024 of Intangible Assets with definite life amounted to Euro 12,017 thousand, of which principally:

- Euro 2,375 thousand, mainly for design and testing costs for the construction of the new products and avionics elements;
- Euro 6,985 thousand, mainly concerning software licenses and introduction projects;
- Euro 2,657 thousand essentially related to the review of procedures for production efficiency, as well as the drawing up of business plans.

The changes in 2024 to accumulated amortisation were as follows (in Euro thousands):

Accumulated amortisation	31/12/2023	Increases	Decreases	Reclassifications and other changes	31/12/2024
Development costs - amortisable	(15,949)	(3,569)	-	-	(19,518)
Development costs - in progress	-	-	-	-	-
Total development costs	(15,949)	(3,569)	-	-	(19,518)
Assets from PPA	(20,275)	(3,108)	-	-	(23,383)
Concessions, licenses, trademarks and similar rights	(12,507)	(2,497)	-	-	(15,004)
Other	(4,743)	(303)	-	(15)	(5,061)
Total	(53,475)	(9,476)	-	(15)	(62,966)

3.5. GOODWILL

Goodwill was recognised at December 31, 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. 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", 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 at the reporting date, the outcome of which did not indicate the need for a write-down of the carrying amount of goodwill at December 31, 2024.

The recoverability of the amounts recognised are verified through comparing the net capital employed (carrying amount) of the CGU with the relative recoverable value. The recoverable value of goodwill is based on the calculation of the value in use i.e. the present value of future operating cash flows on the basis of the estimates included in the long-term plans approved by the Group and an adjusted terminal value, employed to express a summary estimate of future results over the explicitly considered timeframe. These cash flows are thereafter discounted according to discount rates reflecting the present market valuations of the cost of money and which take account of the specific risks of Group operations and of the CGU considered.

At December 31, 2024, any indicators of impairment were assessed using both internal and external information sources.

The internal information sources mainly included assessment of:

- The 2024 annual results

In the annual financial statements at December 31, 2024, the financial results generally improved on the previous year, mainly due to the contribution of the increased defense solid propulsion production activities, the increased technology project development activities (NextGen EU) and for the P160 engine, in addition to lower energy costs;

- 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 approved by the Board of Directors on September 11, 2024 which include, first of all, the order backlog. The Backlog at December 31, 2024 reached Euro 1,724.5 million, a net increase of Euro 366 million (27%) on December 31, 2023. This result was mainly due to the new orders acquired in 2024 of over Euro 800 million, mainly concerning the completion of the Vega development activities and the defence sector solid propulsion activities;

- growth of contributions from tactical propulsion

The contribution of the solid propulsion business continued to increase in the year, as reported in the presentation to analysts and investors regarding the 2024 results, which will be communicated to analysts and investors on March 13, 2025⁸⁵.

Revenues from defence activities in 2024 totalled Euro 69.8 million (15.8% of net revenues in the period), up 51.7% on 2023 (Euro 46 million, 14.0% of net revenues in the period).

The significant 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 defence⁸⁶ 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 applications⁸⁷.

The signing of a contract with MBDA Italia S.p.A. for Avio to supply propulsion engines for CAMM-ER (Extended Range) missiles was also announced on December 4, 2024, and is worth close to Euro 150 million⁸⁸;

⁸⁵ See also the 2024 results presentation published on March 13, 2025 at the following link: https://avio-data.teleborsa.it/2025%2f2025_03_13-Avio-FY-2024-results_v16_20250313_051210.pdf

⁸⁶ 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>

⁸⁷ 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>

⁸⁸ See also the press release dated December 4, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/concluso-contratto-tra-avio-mbda-italia-fornitura-di-motori-missili-camm-er>

- success of the VV25 mission of Vega C

On December 6, 2024, Vega C successfully launched the Earth observation satellite Sentinel-1C, a mission of the European Commission's Copernicus programme⁸⁹. Vega C now picks up from the legacy of its predecessor, the Vega launcher, which, after 12 years of service, 22 launches and more than 120 satellites released into space, successfully made its last flight on September 5, 2024⁹⁰.

As a result of the important milestone achieved, a resumption of launch activities and an increase in launch cadence to 6 flights per year are expected in the current year, thanks in part to the recent contracts signed with ESA to improve ground operations and reduce the time between two consecutive launches⁹¹;

- successful maiden launch and first commercial launch of Ariane 6

On July 9, 2024, the Ariane 6 launcher successfully made its maiden flight⁹², taking off from the French Guiana Space Centre and placing multiple payloads into orbit. On March 6, 2025, the Ariane 6 launcher successfully put into orbit the CSO-3 satellite for the French Armed Forces⁹³. This was the first commercial launch after the successful maiden flight on July 9, 2024⁹⁴.

Based on these significant results, 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;

External information sources mainly included assessment of:

- changes in energy costs

Energy costs in 2024 were lower than in 2023, and the current forecast for H1 of the present year also suggests energy costs in line with the previous year;

- market capitalisation

Based on the strong development of the company's business, Avio's share price in 2024 rose significantly (by approximately 60%). As of December 31, 2024, the market capitalisation is higher than the consolidated book 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, 2024.

The impairment test performed to December 31, 2024 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 8.7%, 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, 2024 was 12.5%.

It is also noted that both the European Central Bank and the Federal Reserve have been progressively cutting interest rates during 2024.

⁸⁹ See also the press release dated December 6, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/successo-missione-vv25-del-vega-c-sentinel-1c-orbita>

⁹⁰ See also the September 5, 2024 press release at the following link: <https://www.avio.com/it/comunicati-stampa/vega-porta-orbita-con-successo-sentinel-2c>

⁹¹ See also the press release dated December 18, 2024 at the following link: <https://www.avio.com/it/comunicati-stampa/contratti-operazioni-sviluppo-futuri-dei-razzi-della-famiglia-vega-nuova-guidance>

⁹² See press release of July 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

⁹³ See press release of March 6, 2025 at the following link: <https://www.avio.com/it/comunicati-stampa/successo-volo-va263-dellariane-6>

⁹⁴ See press release of July 9, 2024 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-inaugurale-dellariane-6>

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 Euroconsult⁹⁵, 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 report by the company Euroconsult, 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 the same report by Euroconsult 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 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 growth 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%⁹⁶;
- there has also been a significant increase in overall resources allocated to space programmes at the government level: according to a recent Euroconsult report⁹⁷, government funding for space economy activities totalled more than \$135 billion in 2024, up 47% from 2021. Also according to the same source, these budgets are forecast to grow to USD 144 billion in 2030, with a CAGR of 5.1% 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 2024, as can be deduced from the data published by the agencies themselves⁹⁸ 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 market⁹⁹;

⁹⁵ "Satellites to be built & launched," 2024 26th edition, Euroconsult Report, published in January 2024;

⁹⁶ Space Capital investment dashboard <https://www.spacecapital.com/quarterly>;

⁹⁷ "Government Space Programs, 24th edition", Novaspace report, published December 2024;

⁹⁸ ESA 2015 budget of Euro 4.4 billion available at: https://www.esa.int/Newsroom/Highlights/ESA_budget_2015; ESA 2024 budget of Euro 7.8 billion available at: https://www.esa.int/ESA_Multimedia/Images/2024/01/ESA_budget_by_domain_2024

⁹⁹ 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

- the ESA Council of November 6, 2023¹⁰⁰, 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 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 decision of the Board of the ESA of July 5, 2024¹⁰¹ 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 launches after VV29, Avio will be the launch service provider and operator of Vega C; at present most of the customers who have signed contracts for launch services with Vega C have accepted this option; the formalities associated with the transfer process are underway with an expectation of completion during H1 2025;

- 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 MR10 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 market¹⁰², 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 announced¹⁰³ that it had been awarded the first two contracts under the space

¹⁰⁰ See press release of November 7, 2024 at the link: https://www.avio.com/sites/avio.com/files/attachments/CS_ESA%20Siviglia_ITA_1.pdf.

¹⁰¹ 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>

¹⁰² 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;

¹⁰³ 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/MXxjb211bmliYXRpLjE3NzEwMDAwNDMyMDIyMXwxfDIwMjIwODAx>

industry initiatives to implement the "Next Gen EU" technological development projects, 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 announced¹⁰⁴ 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.

- 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, 2023 and 2024, as well as those expected, considering the recent contract signings announced on July 23 and December 4, 2024, as previously indicated.

At December 31, 2024, cash flows for the Space CGU were estimated based on projections from the 2024-2028 Business Plan, approved by the Board of Directors on September 11, 2024.

For the calculation of the terminal value, the expected cash flows for the final year of the plan were normalised according to the perpetuity method, assuming 2.0% growth (same as the previous year) for forecast cash flows (in line with forecast Italian medium/long-term inflation).

For the purposes of preparing the impairment test, cash flows were discounted at a weighted average cost of capital ("WACC") of 8.7% (1.1% lower than the 9.8% used in the previous year), estimated in accordance with the Capital Asset Pricing Model approach.

On the basis of that stated above, the recoverable value of the Space CGU is Euro 103 million higher than the carrying amount of the net capital employed at December 31, 2024 (increasing on Euro 44 million at December 31, 2023).

In view of the above, a sensitivity analysis was conducted on the discount rate for cash flows. This assumed an increase of 50 basis points and resulted in a change in recoverable amount, which is nonetheless in excess of the carrying amount of net invested capital by Euro 83 million; a further sensitivity analysis was carried out by assuming, in order to determine the terminal value, a reduction in the g-rate of 50 basis points, resulting in a recoverable value that is in any case higher than the book value of net capital employed by Euro 86 million.

In order to further support the analysis carried out, in view of the persistence of the uncertainty of the geopolitical situation and of the international markets, an additional execution risk was prudently introduced, increasing the average discount rate (average weighted cost of capital) by approximately 100 basis points. Also on the basis of this additional stress test, the recoverable value of the Space CGU was comfortably greater than the carrying amount of the net capital employed recorded in the financial statements.

As also indicated above, it should also be noted that the discount rate (weighted average cost of capital) that would make the recoverable value of the Space CGU equal to the book value of the net capital employed recognised to the financial statements is 12.5%.

The impairment test was conducted by the Company with the external support of a leading consulting firm.

¹⁰⁴ See the press release of March 13, 2023 at: <https://syndication.teleborsa.it/Avio/Financial-Announcements/firma-dei-contratti-di-sviluppo-per-il-pnrr/MXxb211bmjYXRpLjE3NzEwMDAwMDkyMDIzMXwxfDIwMjMwODE2>

3.6. EQUITY INVESTMENTS

The table below illustrates the equity investments of the Avio Group at December 31, 2024 and at December 31, 2023 (in Euro thousands).

	31/12/2024		31/12/2023		Change
	Group share	Total	Group share	Total	
<u>Subsidiaries</u>					
- Servizi Colleferro – Consortium	52.00%	63	52.00%	63	0
Total non-consolidated subsidiaries		63		63	0
<u>Companies under joint control</u>					
- Europropulsion S.A.	50.00%	6,822	50.00%	7,253	(431)
Total companies under joint control		6,822		7,253	(431)
<u>Associates</u>					
- 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
<u>Other companies</u>					
- Other companies		4,750		4,750	0
Total other companies		4,750		4,750	0
Total		17,416		17,582	(166)

Europropulsion S.A., which is subject to joint control with another Shareholder, is consolidated using the equity method. The joint-stock consortium company Servizi Colleferro is not consolidated because it does not produce significant effects and is an insignificant fixed asset in terms of both investment and related asset and operating values. More information on this can be found in section "2.4. Consolidation principles" and "2.6 Consolidation Scope".

As regards the comparison between the book value of investments and the respective shareholders' equity of the Parent Avio S.p.A., reference should be made to the specific comparison schedule at paragraph "3.5. Equity investments" in the separate financial statements.

The changes in 2024 in the investments are shown below (Euro thousands):

	31/12/2023	Valuation at equity	Increases	Decreases	Other movements	31/12/2024
Non-consolidated subsidiaries	63	-	-	-	-	63
Companies under joint control	7,253	(431)	-	-	-	6,822
Associates	5,516	266	-	-	-	5,782
Other companies	4,750	-	-	-	-	4,750
Total	17,582	(166)	-	-	-	17,416

"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 431 thousand (due to the increase for the 50% share of the profit for 2024, amounting to Euro 1,769 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.).

"Associates" 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 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" includes the minor interests; a list of these holdings and their carrying amounts (Euro thousands) follows:

	31/12/2023	Increases	Decreases	Other movements	31/12/2024
Arianespace Participation S.A.	433	-	-	-	433
Arianespace S.A.	-	-	-	-	-
C.I.R.A. (Centro Italiano Ricerche Aerospaziali) S.c.p.A.	60	-	-	-	60
Imast S.c.a.r.l.	22	-	-	-	22
Distretto Aerospaziale Sardegna S.c.a.r.l.	9	-	-	-	9
ART S.p.A.	1,720	-	-	-	1,720
Fondazione E. Amaldi	1	-	-	-	1
T4i S.p.A.	2,500	-	-	-	2,500
Fondazione ITS Meccatronico del Lazio	5	-	-	-	5
	4,750	-	-	-	4,750

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 85% 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 December 31, 2024 and at December 31, 2023 (in Euro thousands).

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

This shareholder loan with the associated Termica Colleferro as beneficiary is interest-free.

3.8. DEFERRED TAX ASSETS

The Avio Group's recognised deferred tax assets amount to Euro 87,547 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. 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):

	31/12/2024
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.	7,179
Financial charges exceeding 30% of EBITDA	27,280
<i>Temporary differences deriving from current corporate operations</i>	
Provision for staff charges	1,753
Other deductible temporary differences	7,971
Provisions for risks and legal charges	4,524
Doubtful debt provision - trade and other receivables	96
Total gross deferred tax assets	48,803
Deferred tax liability on temporary differences	
<i>Temporary differences deriving from previous corporate operations</i>	
Amortisation intangible assets from PPA 2017 - Customer accreditation	(6,268)
Tax effect R&D expenses First-Time Adoption	(43)
<i>Temporary differences deriving from current corporate operations</i>	
Other temporary assessable differences	(1,209)
Total gross deferred tax liabilities	(7,519)
Net deferred tax assets/(liabilities)	41,284
Deferred tax assets on tax losses	66,697
Total deferred tax assets	107,981
Deferred tax assets not recorded	(20,434)
Net deferred tax assets (liabilities) recorded	87,547

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 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.

Deferred tax assets recognised to the financial statements mainly concern 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. As a result of the rescheduling of amortisation related to Aviation and Space goodwill, which will be deductible between 2026 and 2029, in application of Paragraph 1079 of Law No. 145 of 2018, the related deferred tax assets were also partially allocated. See Note 3.43 "INCOME TAXES" for further details.

3.9. OTHER NON-CURRENT ASSETS

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

	31/12/2024	31/12/2023	Change
Other non-current assets	7,942	67,599	(59,658)
	7,942	67,599	(59,658)

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

	31/12/2024	31/12/2023	Change
Receivables from the General Electric Group	-	58,220	(58,220)
Receivables from FCA Partecipazioni	5,124	5,299	(175)
Receivables from the Economic Development Ministry for disbursements pursuant to Law 808/85 - non-current portion	2,099	2,960	(861)
Guarantee deposits	313	717	(403)
Other non-current receivables	406	404	2
Total	7,942	67,599	(59,658)

The item "Receivables from the General Electric Group" decreased Euro 58,220 thousand compared to the previous year. The decrease is due to the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for the Company of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand therefore no longer apply.

The items were recognised to the financial statements in 2016 and referred 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 was 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 was based on specific contractual provisions, according to which the latter was 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 was 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 in an order published on December 13, 2024 finally dismissed the appeal of the Tax Agency against the decision of the Piedmont Second Degree Tax Commission.

The court, in fact, upheld the objection that the new wording of Article 20 of Presidential Decree No. 131 of April 26, 1986 retroactively introduced a prohibition against interpreting documents submitted for registration.

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 403 thousand mainly concerns the return of two deposits. The first concerns the supply of energy by the associate Termica Colferro and the second relates to a lease contract with Difesa Servizi, partially offset by the payment of a guarantee deposit for the lease of the Avio Branch office in Paris.

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

The table below illustrates inventories at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Inventories and Advances to suppliers	314,101	284,427	29,674
	314,101	284,427	29,674

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

	31/12/2023	Change	31/12/2024
Raw materials, supplies and consumables	105,257	24,540	129,797
Raw material, ancillary and consumables obsolescence provision	(2,127)	(768)	(2,895)
Raw material, ancillary and consumables - net value	103,130	23,772	126,902
Products in work-in-progress	10,780	1,084	11,865
Provision for the write-down of work in progress	-	-	-
Products in work-in-progress - net value	10,780	1,084	11,865
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	4,853	166,158
	284,427	29,674	314,101

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 year 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, net of advances received from clients is as follows (in Euro thousands):

	31/12/2024	31/12/2023	Change
Contract work-in-progress	154,981	123,473	31,508
Advances for contract work-in-progress	(555,601)	(452,830)	(102,771)
Net total	(400,620)	(329,357)	(71,263)

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

	31/12/2024	31/12/2023	Change
Contract work-in-progress (gross)	1,830,910	1,154,872	676,038
Advances for contract work-in-progress (gross)	(1,675,929)	(1,031,400)	(644,530)
Contract work-in-progress (net)	154,981	123,473	31,508

The table below summarises the contract work-in-progress relating to the projects where the gross value is lower than the advances and is therefore recorded, net of the advances, under liabilities in the Consolidated Balance Sheet (Euro thousands):

	31/12/2024	31/12/2023	Change
Contract work-in-progress (gross)	669,388	1,140,336	(470,948)
Advances for contract work-in-progress (gross)	(1,224,989)	(1,593,166)	368,177
Advances for contract work-in-progress (net)	(555,601)	(452,830)	(102,771)

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. The multi-year projects mainly concern those relating to the Vega C and Vega E 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. At present, the share of variable fees accounts for approximately 2% of Contract Work in Progress (gross).

3.12. TRADE RECEIVABLES

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

	31/12/2024	31/12/2023	Change
Trade receivables	3,074	2,944	130
	3,074	2,944	130

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

	31/12/2024	31/12/2023	Change
Receivables from third parties	1,706	1,791	(86)
Receivables from associates and jointly controlled companies	898	653	245
	2,604	2,445	159
Receivables from associates and jointly controlled companies beyond one year	470	499	(29)
	470	499	(29)
Total	3,074	2,944	130

The nominal value of receivables from third parties was adjusted by a doubtful debt provision of Euro 487 thousand in order to reflect their fair value.

Receivables from third parties

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

	31/12/2024	31/12/2023	Change
Gross value	2,193	2,274	(82)
less: doubtful debt provision	(487)	(483)	(4)
Total	1,706	1,791	(86)

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):

	31/12/2024	31/12/2023	Change
Europropulsion S.A.	16	89	(73)
Servizi Colleferro S.C.p.A.	132	48	85
Potable Water Services Consortium	302	204	98
Termica Colleferro S.p.A. due within one year	448	313	135
	898	653	245
Termica Colleferro S.p.A. due beyond one year	470	499	(29)
	470	499	(29)
Total	1,368	1,152	216

3.13. CASH AND CASH EQUIVALENTS

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

	31/12/2024	31/12/2023	Change
Cash and cash equivalents	101,684	95,593	6,091
Total	101,684	95,593	6,091

Cash and cash equivalents mainly concern balances on bank current accounts, in addition to some short-term restricted deposits. For an analysis of the changes during the year, reference should be made to the cash flow statement.

3.14. CURRENT TAX RECEIVABLES

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

	31/12/2024	31/12/2023	Change
Tax receivables	18,877	16,024	2,854
Total	18,877	16,024	2,854

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

	31/12/2024	31/12/2023	Change
VAT	8,779	5,383	3,396
Research and development tax credits	2,830	2,763	67
Tax credits for simple and 4.0 technological innovation	2,260	1,960	300
Tax credits for the purchase of simple new capital goods and 4.0	2,282	2,052	230
Receivables from tax authorities	2,439	3,619	(1,180)
Tax credit on energy	-	-	-
EU VAT receivables	287	247	40
Total	18,877	16,024	2,854

VAT receivables

VAT receivables of Euro 8,779 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 6,815 thousand, relating to VAT reimbursements to date not requested for repayment (Euro 3,400 thousand at December 31, 2023).

VAT receivables in the year reported a net increase of Euro 3,396 thousand - the net effect of:

- decreases due to collections of Euro 93 thousand related to Spacelab S.p.A.;
- decreases for offsets of Euro 2,758 thousand relating to Avio S.p.A., Spacelab S.p.A. and Se.Co.Sv.Im. S.r.l.;
- increases for new VAT receivables matured in the period of Euro 6,247 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 parent company Avio. On the other hand, this latter however has Italian suppliers whose supplies - further to the amounts for which declarations of intent are issued due to the fact that it is a habitual exporter - result in the recognition of VAT receivables.

Research and development and technological innovation tax credit

These tax receivables totalled Euro 7,372 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 2024 income statement includes amounts of Euro 1,198 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 2023 was Euro 1,335 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 and 2024 pursuant to the 2020 Budget Law as amended

The Avio Group recognised R&D tax credits of Euro 7,372 thousand to these financial statements, attributable entirely to the parent company, Avio S.p.A., and accrued in 2020, 2021, 2022 and 2023 (for Euro 6,775 thousand) and in 2024 (for Euro 597 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.

Tax receivables

Tax receivables of Euro 2,439 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 580 thousand of the parent company Avio S.p.A.;
- other tax credits of Euro 1,174 thousand, including in particular receivables for withholdings on interest and the tax credits of the Guyana subsidiary Regulus S.A..

EU VAT receivables

The EU VAT receivables relate to inter-EU transactions and amount to Euro 287 thousand (Euro 247 thousand at December 31, 2023).

3.15. OTHER CURRENT ASSETS

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

	31/12/2024	31/12/2023	Change
Other current assets	4,293	7,037	(2,744)
Total	4,293	7,037	(2,744)

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

	31/12/2024	31/12/2023	Change
Economic Development Ministry for disbursements pursuant to Law 808/85 - current portion	854	3,155	(2,301)
Employee receivables	1,173	1,093	122
Prepayments and accrued income	950	1,051	(143)
Grants/subsidies receivable	547	960	(413)
Receivables from FCA Partecipazioni	285	285	-
Other debtors	461	442	20
Social security institutions	18	21	3
Receivables from associated company Consorzio Servizi Acqua Potabile	5	31	(26)
Total	4,293	7,037	(2,744)

"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).

Employee receivables of Euro 1,173 thousand concern the Group cash advances for the coverage of mission and travel expenses.

Receivables for grants and subsidies of Euro 547 thousand concerning various projects supported by subsidised financing. Reference should also be made to section "10. Disclosure on public grants as per article 1, paragraphs 125-129, of Law No. 124/2017.

Regarding the "Receivables from FCA Shares" amounting to Euro 285 thousand, reference should be made to the comments at paragraph "3.9 Other non-current assets" in these notes. The amount recognised at December 31, 2024 is the instalment due within the coming 12 months.

EQUITY

3.16. SHARE CAPITAL

The share capital of the parent Avio S.p.A. amounts to Euro 90,964,212 at December 31, 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 December 31, 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 December 31, 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):

	31/12/2024	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	(4,149)	(4,126)	(23)
Stock grant reserve	2,840	622	2,219
Translation reserve	(57)	(45)	(12)
Total	16,827	14,644	2,184

With regard to treasury shares, at December 31, 2024, Avio S.p.A. held 1,091,207 treasury shares, equal to 4.14% of the share capital. The value of the treasury shares acquired amounts to Euro 13,335 thousand; no treasury share transactions took place during the year.

The actuarial gains/losses reserve, amounting to a negative of Euro 4,149 thousand, concern the actuarial losses deriving from the application of IAS 19 revised, with the relative tax effect where applicable.

The stock grant reserve, amounting to Euro 2,840 thousand, represents the accumulated cost as of December 31, 2024, related to five share-based employee compensation plans involving the allocation of treasury shares. A summary of the necessary information in this regard is presented below (amounts in thousands of Euro):

	Beneficiaries	Target number of shares granted	Vesting period	Stock grant reserve
Restricted Share Plan 2023-2025	professional figures employed by Avio	261,206	2023-2025	929
Performance Share Plan 2024-2026	Senior management	136,492	2024-2026	313
Performance Share Plan 2023-2025	Senior management	87,080	2023-2025	447
Restricted Share Plan 2024-2026	professional figures employed by Avio	236,197	2024-2026	167
Performance Share Plan 2022-2024	Senior management	105,460	2022-2024	983
		826,435		2,840

The "Restricted Share Plan 2024-2026" and the "Performance Share Plan 2024-2026" were approved by the Shareholders' Meeting on April 23, 2024 in order to increase its employees' sense of belonging to Avio:

- the "Performance Shares 2024-2026" plan is for the Chief Executive Officer, Senior Executives and certain other Executives;
- the "Restricted Shares 2024-2026" plan is for employees who play a key role in achieving Avio's strategic goals. The beneficiaries of the plan do not include the Chief Executive Officer/General Manager or the Senior Executives of the Company.

The amount recorded in the stock grant reserve was subject to assessment by a leading independent expert.

The translation reserve, negative for Euro 57 thousand, relates to the effects of the full consolidation of the financial statements in USD of the subsidiary Avio USA Inc.

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 December 31, 2024 and the 2024 parent result and the corresponding consolidated financial statement amounts is outlined as follows (in Euro thousands):

	Equity at 31/12/2024	Net result 2024
Financial Statements of Avio S.p.A.	291,403	7,992
Elimination of investments recognised to the statutory financial statements	(81,024)	-
Accounting for equity and the Group's share of the profits or losses of consolidated companies	85,099	(2,004)
Other consolidation adjustments	7,348	100
Consolidated financial statements (attributable to the Group)	302,827	6,087

For the reconciliation of the shareholders' equity of Avio S.p.A. and consolidated shareholders' equity, the other consolidation adjustments mainly concern:

- the positive difference of Euro 3,144 thousand between the acquisition price in 2022 of Temis and the shareholders' equity acquired;
- the valuation at equity of the jointly-controlled company Europropulsion S.A. as a cumulative effect as referring also to the previous years, in addition to 2024, for a final positive effect of Euro 3,122 thousand;
- the valuation at equity of the associate Termica Colleferro S.p.A. as a cumulative effect as referring also to the previous years, in addition to 2024, for a final negative effect of Euro 1,896 thousand;
- to other effects, positive in the amount of Euro 2,978 thousand, mainly related to the elimination of lease contracts, in particular with Se.Co.Sv.Im.

For the reconciliation of the net result of Avio S.p.A. and the consolidated result, in addition to the recognition of the result for the year of the consolidated companies of Euro 2,004 thousand, mainly regarding Regulus SA and Avio USA Inc., the other consolidation adjustments, totalling net income of Euro 100 thousand, concern:

- the valuation of the joint venture Europropulsion S.A. at equity, which led to the recognition of charges of Euro 431 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., and other minor effects, resulting in the total recognition of income to the consolidated financial statements of Euro 354 thousand.
- the net amortisation of capital gains from the allocation of the Temis acquisition price, amounting to Euro 88 thousand.

3.20. EQUITY ATTRIBUTABLE TO 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):

	31/12/2024			
Consolidated companies	% Non-controlling interests	Capital and Reserves	Profit/(loss)	Equity non-controlling Interests
Spacelab S.p.A.	30.00%	1,684	103	1,788
Regulus S.A.	40.00%	8,052	195	8,246
		9,736	298	10,034

NON-CURRENT LIABILITIES

3.21. NON-CURRENT FINANCIAL LIABILITIES

The movement in 2024 is presented in the following table (in Euro thousands):

	31/12/2024	31/12/2023	Change
Non-current financial liabilities to EIB	-	2,000	(2,000)
Other non-current financial liabilities	30	51	(21)
Total	30	2,051	(2,021)

The item until the previous year mainly concerned two loans agreed with the European Investment Bank (EIB):

- loan of an original Euro 10,000 thousand subscribed in January 2019: this loan had 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. This loan at the date of this financial report was classified to the item "Current portion of non-current financial payables";
- loan of Euro 40,000 thousand subscribed in October 2017: this loan had 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 as of the date of this financial report has been repaid in full.

The two loans were to 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 2,021 thousand essentially relates to the reclassification to short-term of the Euro 1,000 thousand instalments, concerning the Euro 10,000 thousand loan, maturing on April 30, 2025 and October 31, 2025.

The short-term portion of the loan, totalling Euro 10 million (including Euro 3 thousand for interest), is therefore recognised under item "3.28. Current portion of non-current financial payables".

The loan still in place at the date of this financial report is not supported by guarantees and stipulates 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 been agreed on this loan.

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):

	31/12/2024	31/12/2023	Change
Non-current financial payables for leasing	6,547	5,620	927
Total	6,547	5,620	927

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

	31/12/2024	31/12/2023	Change
Non-current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	557	698	(141)
Non-current financial liabilities to third parties as per IFRS 16	5,990	4,922	1,068
Total	6,547	5,620	927

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;
- to the lease of the office of the Paris Branch of Avio S.p.A.;
- 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 complementary 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):

	31/12/2024	31/12/2023	Change
- Defined benefit plans:			
Post-employment benefits	3,426	3,440	(14)
Other defined benefit plans	2,562	2,400	162
	5,988	5,840	148
- Other long-term benefits	3,504	3,075	429
Total employee benefit provisions	9,493	8,915	577
<i>of which:</i>			
- Italy	8,211	7,762	449
- Other Countries	1,282	1,153	128
	9,493	8,915	577

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)	199	73	273
Extraordinary charges/(income) from actuarial adjustment	-	-	-
Actuarial (gains)/losses in income statement	-	76	76
Actuarial (gains)/losses in comprehensive income statement	51	-	51
Pension cost current employees	171	301	472
Other movements	(3)	101	98
Benefits paid	(270)	(123)	(392)
At 31/12/2024	5,987	3,504	9,492

The table below illustrates the principal assumptions utilised for the actuarial calculation:

	31/12/2024	31/12/2023
Discount rate	2.77%	3.16%
Expected salary increases	2.16%	2.15%
Inflation rate	European Zero-Coupon Inflation-Indexed Swap curve at 31.12.2024	European Zero-Coupon Inflation-Indexed Swap curve at 29.12.2023
Average employee turnover rate	4.99%	4.90%

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 December 31, 2024 and December 31, 2023 (in Euro thousands).

	31/12/2024	31/12/2023	Change
Provisions for risks and charges	42,302	43,838	(1,535)
Total	42,302	43,838	(1,535)

The breakdown of the provisions for risks and charges at December 31, 2024 is presented below (Euro thousands):

	31/12/2024		
	Current portion	Non-current portion	Total
Provision for variable remuneration	6,610	1,549	8,159
Provision for legal and environmental risks and charges	5,780	9,785	15,564
Other provisions for risks and charges	10,393	8,186	18,579
Total	22,783	19,520	42,302

These provisions include:

- provisions for variable remuneration for Euro 8,159 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 15,564 thousand;
- other provisions for risks and charges of Euro 18,579 thousand (Euro 18,915 thousand at December 31, 2023), mainly referring to extraordinary charges for the future execution of programmes and for risks related to the return-to-flight activities of Vega C, net of compensation expected from the European Space Agency, amounting to Euro 6,605 thousand (Euro 15,830 thousand at December 31, 2023); these provisions include, among others, charges for the restoration of leased areas, royalties provided for by Law 808/85 and a tax risks provision. As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

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

	31/12/2023	Provisions	Other movements	Utilisations	Releases	31/12/2024
Provision for variable remuneration	8,279	7,094	-	(6,098)	(1,115)	8,159
Provision for legal and environmental risks and charges	16,643	122	-	(1,201)	-	15,564
Other provisions for risks and charges	18,915	16,350	496	(8,530)	(8,652)	18,579
Total	43,838	23,565	496	(15,829)	(9,767)	42,302

The main changes during the year were:

- the provisions for variable remuneration were utilised for Euro 6,098 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 7,094 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 1,201 thousand, concerning environmental charges;
- other provisions for risks and charges of Euro 18,579 thousand (Euro 18,915 thousand at December 31, 2023), include extraordinary charges for the future execution of programmes and for risks related to the return-to-flight activities of Vega C, net of compensation expected from the European Space Agency amounting to Euro 6,605 thousand (Euro 15,830 thousand at December 31, 2023). The utilisations mainly concern the charges arising in the year associated with Vega C's return to flight, net of the compensation expected from the European Space Agency, previously accrued to the provisions. Other movements refer to the increase in the restoration provision allocated in FY 2019 related to an area used for industrial purposes. Provisions and releases, with offsetting effect, reflect updates of estimates made in the previous year of the above extraordinary charges in relation to changes in the underlying rationales during the year. In this regard, see also the comments in the "Group operating performance and financial and equity position" section of the Directors' Report. As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

3.25. OTHER NON-CURRENT LIABILITIES

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

	31/12/2024	31/12/2023	Change
Non-current liabilities	15,852	75,062	(59,210)
Total	15,852	75,062	(59,210)

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

	31/12/2024	31/12/2023	Change
<i>Tax liabilities</i>			
<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)
<i>Liabilities relating to Law 808/85</i>			
Deferred income on disbursements pursuant to Law 808/85 - beyond one year	12,928	14,248	(1,320)
Payables to MiSE for disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	1,320	1,320	-

Deferred income on disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	483	483	-
Payables to the Economic Development Ministry (MiSE) for disbursements pursuant to Law 808/85 - portion beyond one year	633	234	399
	15,364	16,285	(921)
Other liabilities			
Payables due to MiSE for other subsidies	389	392	(3)
Deferred income	99	165	(67)
	488	557	(69)
Total	15,852	75,062	(59,210)

Tax liabilities

Payables to the Tax Authorities for registration, mortgage and land tax 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.

The item reports a decrease of Euro 58,220 thousand on the previous year. The decrease is due to the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for the Company of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand therefore no longer apply.

The item, which included until the previous year the amount of Euro 58,220 thousand, referred 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 was 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.

We note that the aforementioned tax settlement notice was 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 in an order published on December 13, 2024 finally dismissed the appeal of the Tax Agency against the decision of the Piedmont Second Degree Tax Commission. The court, in fact, upheld the objection that the new wording of Article 20 of Presidential Decree No. 131 of April 26, 1986 retroactively introduced a prohibition against interpreting documents submitted for registration.

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 12,928 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, 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 (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 regarding the contribution received by Avio S.p.A. for Euro 1,320 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 shall be 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 the LOX/LCH technology demonstrator development project for the third stage of the VEGA E launcher; this disbursement falls under the regulations of the 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 (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 to the Economic Development Ministry (MiSE) for disbursements pursuant to Law 808/85 - portion beyond one year

This payable to the Economic Development Ministry (MiSE), amounting to Euro 633 thousand, refers to the subsidiary Temis S.r.l., which was the recipient of a Settlement Decree issued by the Ministry on July 4, 2023, which concerned the disbursement of grants regarding the study of an innovative electro-actuator for aerospace propulsion systems.

Payables due to MiSE for other subsidies

This item, amounting to Euro 389 thousand, consists of payables due beyond one year to the Ministry for Economic Development relating mainly 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 Program "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 presents current financial liabilities at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Other financial current liabilities	21	26	(5)
Total	21	26	(5)

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):

	31/12/2024	31/12/2023	Change
Current financial liabilities for leasing	2,993	1,747	1,246
Total	2,993	1,747	1,246

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

	31/12/2024	31/12/2023	Change
Current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	116	135	(19)
Current financial liabilities to third parties as per IFRS 16	2,877	1,612	1,265
	2,993	1,747	1,246

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;
- to the lease of the office of the Paris Branch of Avio S.p.A.;
- the lease of company cars.

3.28. CURRENT PORTION OF NON-CURRENT FINANCIAL PAYABLES

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

	31/12/2024	31/12/2023	Change
Current portion of non-current financial payables	2,003	10,018	(8,015)
Total	2,003	10,018	(8,015)

The account, which amounted to Euro 2,003 thousand, consists of:

- the two instalments, each of Euro 1,000 thousand, relating to the loan of Euro 10,000 thousand, falling due on April 30, 2025 and October 31, 2025, respectively;
- interest expense on the above financial liabilities accrued at December 31, 2024 for Euro 3 thousand.

3.29. TRADE PAYABLES

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

	31/12/2024	31/12/2023	Change
Trade payables	109,213	113,159	(3,946)
Total	109,213	113,159	(3,946)

Trade payables of the Avio Group at December 31, 2024 amount to Euro 109,213 thousand; this amount includes, for Euro 2,976 thousand, trade payables to associated companies, jointly controlled companies and non-consolidated subsidiaries as follows (Euro thousands):

	31/12/2024	31/12/2023	Change
Europropulsion S.A.	609	558	51
Termica Colleferro S.p.A.	2,205	1,639	566
Potable Water Services Consortium	42	(36)	78
Servizi Colleferro S.C.p.A.	119	516	(397)
Total	2,976	2,678	298

3.30. CURRENT TAX PAYABLES

The table below presents current tax liabilities at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Current income tax payables	3,359	2,513	847
Total	3,359	2,513	847

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

	31/12/2024	31/12/2023	Change
IRES payables	256	256	-
IRAP payables	675	138	536
Payables for withholding taxes	2,295	1,664	631
Other tax payables	76	401	(325)
Foreign income taxes	57	53	4
Total	3,359	2,513	847

IRES payables from tax consolidation amount to Euro 256 thousand, while IRAP payables total Euro 675 thousand.

Payables for withholding taxes, amounting to Euro 2,295 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 57 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 presents other current liabilities at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Other current liabilities	32,105	28,973	3,132
Total	32,105	28,973	3,132

This account is broken down below (in Euro thousands):

	31/12/2024	31/12/2023	Change
Other accrued liabilities and deferred income	12,987	12,007	980
Employee payables	11,909	9,806	2,103
Other payables to third parties	1,756	1,379	377
Payables due to social security institutions	4,134	4,461	(327)
Deferred income on disbursements pursuant to Law 808/85 - current portion	1,320	1,320	-
Total	32,105	28,973	3,132

Accrued expenses and deferred income

This account, amounting to Euro 12,987 thousand (Euro 12,007 thousand at December 31, 2023), mainly refers to the deferment of commercial costs and grants to the following year.

Employee payables

Employee payables amount to Euro 11,909 thousand (Euro 9,806 thousand at December 31, 2023) and include remuneration to be settled, in addition to vacations and other rights matured and not utilised.

The increase of Euro 980 thousand on the previous year is due to the increase of the headcount by 99 (from 1,256 at December 31, 2023 to 1,355 at December 31, 2024).

Other payables to third parties

This account totals Euro 1,756 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 1,291 thousand.

Amounts due to social security institutions

The account concerns amounts to be paid, amounting to Euro 4,134 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 1,320 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.

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 480,420 thousand. They amounted to Euro 343,696 thousand in 2023.

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

	FY 2024	FY 2023	Change
Net sales	307,656	31,392	276,264
Revenues from services	5,157	4,372	785
	312,814	35,764	277,050
Changes in contract work in progress	167,607	307,932	(140,325)
Total	480,420	343,696	136,724

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.

In terms of the recognition of revenues, in order to present a breakdown and comparison of revenues in the clearest manner possible, it should be noted that in 2024 contracts totalling Euro 307,274 thousand were completed, the effects of which are shown under "Revenues from sales" for the proceeds from the related advances received and under "Changes in contract work in progress" for the closure of the contracts from work in progress.

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 to Euro 1,199 thousand in 2024, while in 2023 totalled Euro 1,335 thousand. 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". At present, the share of variable fees accounts for approximately 9% of revenues.

3.33. OTHER OPERATING REVENUES

The account in 2024 amounted to Euro 8,854 thousand, as follows:

	FY 2024	FY 2023	Change
Dividends from the jointly-controlled company Europropulsion S.A.	2,200	3,000	(800)
Other income	1,371	2,327	(956)
Operating grants	2,172	1,529	643
Income for the portion recognised to the income statement of the disbursements as per Law 808/85	1,970	1,511	459
Income from the release of provisions	865	244	621
Other prior year income	276	77	199
Total	8,854	8,689	166

This item consists of:

- dividends collected from the jointly-controlled company Europropulsion for Euro 2,200 thousand (Euro 3,000 in the comparative year);
- other income of Euro 1,371 thousand, including recharges to companies in the Colleferro industrial district of Euro 1,134 thousand and other items of Euro 237 thousand.
- Operating grants amounted to Euro 2,172 thousand (Euro 1,529 thousand in the comparative year) and referred principally to projects such as "Development of Sustainable Italian Carbon-phenolics for Aerospace Engine Nozzles - CARISMA", "ENLIGHTEN - European iNitiative for Low cost, Innovative & Green High Thrust Engine", "SALTO" and "DISCO".
- income for the portion credited to the Income Statement of disbursements pursuant to Law 808/85 amounting to Euro 1,970 thousand (Euro 1,511 thousand in the comparative year) and mainly concerning the parent company Avio S.p.A. and the subsidiary Temis S.r.l.;
- income from the release of provisions of Euro 865 thousand (Euro 244 thousand in 2023).

3.34. CONSUMPTION OF RAW MATERIALS

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

	FY 2024	FY 2023	Change
Purchase of raw materials	168,887	150,115	18,772
Change in inventories of raw materials	(22,453)	(36,680)	14,227
Total	146,433	113,434	32,998

3.35. SERVICE COSTS

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

	FY 2024	FY 2023	Change
Services	206,508	138,494	68,014
Use of third party assets	3,546	2,842	704
Total	210,054	141,335	68,718

Service costs, amounting to Euro 210,054 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 account includes, finally, the amount of the emoluments due to the Avio Group's corporate boards, relating to:

- directors remuneration of Euro 957 thousand (Euro 879 thousand in 2023) and to the board committees for Euro 178 thousand (Euro 178 thousand in 2023);
- Supervisory Body fees of Euro 209 thousand (Euro 161 thousand in 2023);
- Board of Statutory Auditors fees of Euro 242 thousand (Euro 168 thousand in 2023).

Service costs are shown net of the recognition of accrued tax receivables on certain types of costs amounting to Euro 597 thousand (Euro 1,394 thousand at December 31, 2023), as described in paragraph "3.14. Current tax receivables".

3.36. PERSONNEL EXPENSES

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

	FY 2024	FY 2023	Change
Wages and salaries	73,285	62,461	10,824
Social security charges	22,992	20,364	2,628
Provision for variable remuneration	8,702	7,466	1,236
Other long-term benefits - current employees	283	59	224
Actuarial (gains)/losses recorded in P&L relating to other long-term benefits	76	(312)	388
Provision for "Other defined benefit plans"	4,781	3,930	851
Total	110,120	93,968	16,152

The average number of employees is presented below:

	FY 2024	FY 2023	Change
Blue-collar	371	372	(1)
White-collar	917	762	155
Executives	46	31	15
Total	1,334	1,165	169

3.37. DEPRECIATION

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

	FY 2024	FY 2023	Change
Intangible assets with definite life	9,476	8,552	924
Property, plant and equipment	5,508	4,539	923
Right-of-use	2,420	2,114	306
Investment property	31	78	(47)
Total	17,436	15,283	2,153

With regard to amortisation of intangible assets with definite life, a comparison with the previous year follows (Euro thousands):

	FY 2024	FY 2023	Change
Develop. Costs	3,569	3,393	176
Assets from purchase price allocation	3,108	3,108	-
Concessions, licenses, trademarks and similar rights	1,724	1,197	527
Other intangible assets	1,076	855	221
Total	9,476	8,552	923

The amortisation of development costs, amounting to Euro 3,569 thousand, is substantially in line with that recognised in 2023.

The amortisation of the purchase price allocation assets concerns for Euro 122 thousand the gain from the acquisition of the subsidiary Temis, and for Euro 2,986 thousand the intangibles relating to the Ariane and Vega programmes identified following the process to allocate the acquisition price of the Group by Space2 in 2017.

The increase in the amortisation of "Concessions, licenses, trademarks and similar rights" reflects the trend of investments made during the year.

A comparative statement of the depreciation of property, plant and equipment is presented below (in Euro thousands):

	FY 2024	FY 2023	Change
Buildings	1,870	1,571	299
Plant & machinery	1,828	1,396	432
Industrial & commercial equipment	348	304	44
Other assets	1,462	1,268	194
	5,508	4,539	969

With reference to plant and machinery, the increase relates to the auxiliary equipment required for the increased flight cadence of Vega C.

In addition, the statement comparing the depreciation of the right-of-use compared to the previous year is presented below (in Euro thousands):

	FY 2024	FY 2023	Change
Land right-of-use	146	143	3
Buildings right-of-use	881	877	4
Right-of-use rights related to plant and machinery	166	173	(7)
Other assets right-of-use	1,227	921	306
	2,420	2,114	307

The increase in the depreciation of this account, amounting to Euro 307 thousand, is mainly due to the increase of employee-use vehicles.

3.38. OTHER OPERATING COSTS

This account amounts to Euro 5,419 thousand (Euro 4,725 thousand in 2023) and mainly comprises the following items:

- indirect taxes of Euro 1,965 thousand (Euro 2,087 thousand in 2023);
- prior year charges of Euro 175 thousand (Euro 110 thousand in 2023);
- other operating charges of Euro 2,539 thousand (Euro 1,482 thousand in 2023);
- net extraordinary charges of Euro 739 thousand (Euro 1,046 thousand in 2023).

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

The account, resulting in a net charge of Euro 166 thousand (Euro 528 thousand in 2023), includes the effects from the application of the equity method to measure the following investments:

- in the jointly-controlled company Europropulsion S.A.; in this regard, a charge of Euro 431 thousand was recognised, corresponding to Avio's share of the change in the company's equity in 2024;
- 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 internal costs capitalised, amounting to Euro 6,180 thousand (Euro 9,105 thousand in 2023), mainly includes:

- development costs for Euro 2,375 thousand (Euro 5,209 thousand in 2023);
- costs for the construction of internal tangible and intangible assets for Euro 3,806 thousand (Euro 3,896 thousand in 2023);

3.41. FINANCIAL INCOME

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

	FY 2024	FY 2023	Change
Bank interest income	451	1,822	(1,371)
Interest income on VAT refunds	13	18	(5)
Financial income from amortised cost	99	488	(388)
	563	2,328	(1,765)
Realised exchange gains	157	549	(392)
Unrealised exchange gains	6	54	(47)
	163	603	(439)
Total	727	2,930	(2,204)

Financial income, amounting to Euro 727 thousand (Euro 2,930 thousand in the comparative year), mainly comprised:

- interest income on bank deposits, including short-term time deposits to benefit fully from the rate movements, amounting to Euro 451 thousand;
- interest income from the discounting of receivables for Euro 99 thousand (Euro 488 thousand in the comparative year);
- exchange differences of Euro 163 thousand (Euro 603 thousand in the comparative year).

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

3.42. FINANCIAL CHARGES

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

	FY 2024	FY 2023	Change
Interest on EIB loans	71	161	(90)
Interest on other payables	1,283	320	963
Discounting on employee benefits	273	212	61
Financial charges from amortised cost	182	441	(260)
	1,808	1,133	674
Realised exchange losses	473	322	151
Unrealised exchange losses	65	62	4
	538	384	154
Total	2,346	1,517	829

Financial charges of Euro 2,346 thousand (Euro 1,517 thousand in the previous year) mainly comprise:

- interest expenses on the two EIB loans (one of which fully repaid in the year) of Euro 71 thousand;
- interest charges on other liabilities for Euro 1,283 thousand, mainly concerning the settlement agreement which will be formalised with the Tax Agency as part of the tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the company to recognise deferred tax assets for a corresponding amount.
- discounting for employee benefit updates for Euro 273 thousand;
- financial charges from amortised cost applied to liabilities for Euro 182 thousand;
- exchange losses for Euro 538 thousand.

Realised exchange losses concern the collection of receivables and the settlement of payables in foreign currencies, while unrealised exchange losses concern the adjustment to the year-end exchange rate of receivables and payables in foreign currencies.

3.43. INCOME TAXES

"Income taxes" report a net charge of Euro 378 thousand (the comparative year charge of Euro 17 thousand). The charge of Euro 378 thousand comprises:

- current IRES income taxes of Euro 0 thousand (Euro 137 thousand in 2023); On this point, in fact, it should be noted that starting with the current fiscal year as of December 31, 2024, all of Avio S.p.A.'s Italian subsidiaries participate in the national tax consolidation pursuant to Article 117 and subsequent of the Income Tax Law (TUIR), which has a negative taxable income;
- current IRAP regional taxes of Euro 670 thousand (Euro 94 thousand in 2023);
- income from foreign companies of Euro 47 thousand (income of Euro 8 thousand in 2023);
- other income of Euro 5,983 thousand (Euro 0 thousand in 2023);
- deferred tax income of Euro 7,171 thousand and a deferred tax charge of Euro 850 thousand related to provisions for risks and charges (income of Euro 206 thousand in 2023). .

Taxes for previous years and deferred tax recognition income relate to the settlement procedure which will be formalised with the Tax Agency following a tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

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

	FY 2024	FY 2023
Result before taxes	6,764	6,641
Ordinary rate applied	24.00%	24%
Theoretical tax charge	1,623	1,594
<i>Effect of increases (decreases) to the ordinary rate:</i>		
Permanent increases	6,321	7,709
Permanent decreases	(5,973)	(7,114)
Temporary difference increases	21,107	18,563
Temporary difference decreases	(32,657)	(40,285)
Total changes	(11,203)	(18,988)
Utilisation of fiscal losses	-	-
IRES taxable income of the Group	(4,439)	(12,347)
Effective IRES taxation	-	-
Prior year taxes	(5,983)	
Net deferred tax (income)/charge	6,321	206
Current taxes Italian companies	(670)	(230)
Current taxes overseas companies	(47)	8
	(378)	(17)

3.44. EARNINGS/(LOSS) PER SHARE

An explanatory statement is reported below (in Euro):

	FY 2024	FY 2023
Group Consolidated Result	6,087,126	6,487,372
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	0.24	0.26
Diluted earnings per Share (in Euro) ⁽¹⁾	0.23	0.25

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

4. DISCLOSURE BY OPERATING AND REGIONAL SEGMENTS

Disclosure by operating segment

In 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 totalled 1,355 employees at December 31, 2024 (1,253 at December 31, 2023).

Disclosure by regional segment

The regional breakdown of Group revenues (defined based on customer country location), in 2024 (and in line with the previous 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):

	31/12/2024	31/12/2023
Guarantees given:		
Unsecured guarantees:		
Sureties issued to third parties on behalf of Group	32,783	44,455
Other guarantees	3,402	3,402
Total guarantees given	36,185	47,857
Guarantees received:		
Sureties and guarantees received	1,206	1,206
	1,206	1,206

Guarantees provided

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 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 client indemnities. 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.

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.

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 in an order published on December 13, 2024 finally dismissed the appeal of the Tax Agency against the decision of the Piedmont Second Degree Tax Commission. The court, in fact, upheld the objection that the new wording of Article 20 of Presidential Decree No. 131 of April 26, 1986 retroactively introduced a prohibition against interpreting documents submitted for registration.

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. The Piedmont Tax Court of the Second Instance has set a hearing to be held on 16/01/2025.

A.3) *Tax audit FY 2018 and FY 2019*

As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

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.

In the ruling dated 05/03/2024, filed on 09/04/2024, the Lazio Regional Tax Commission rejected the appeal brought by the Company, which decided not to appeal to the Court of Cassation.

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 Court of Cassation, with Order No. 32653, filed on 16/12/2024, dismissed the appeal brought by the Attorney General's Office against the second instance ruling that on the subject of the requalification, pursuant

to Article 20 TUR, as a business unit disposal, in terms of the transfer and sale of shareholdings transactions by Se.co.Sv.IM. S.r.l., found the company's conduct to be correct.

In particular, the Supreme Court, believing that it had to follow a now consolidated view, took note of "*the retroactive scope of the authentic interpretation rule set forth in Article 1, paragraph 1084, of Law No. 145 of December 30, 2018, deeming Article 20, Presidential Decree No. 131 of April 26, 1986, as amended by Article 1, paragraph 87, of Law No. 205 of December 27, 2017, also applicable to deeds stipulated at a time prior to its entry into force for which the proceedings before the tax courts are still pending.*"

C) 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.

At the end of 2023, the Company received a payment notice for taxes for 2017 and 2018 of approximately Euro 850 thousand, which was rejected by the Company. To date, a request for its withdrawal is pending before the competent tax court. Since some disputes have arisen in this area in the past, the Company has decided to make a provision in the income statement for FY2024 to cover this potential risk. In addition, in 2023, the Company underwent a tax audit and following the closure in 2024 received a request for payment of approximately Euro 600 thousand for the years 2020 to 2022. There is no impact on the income statement in 2024 as these amounts had already been set aside in previous years. Therefore, taking all the elements described into account, the financial statements as of December 31, 2024 of this company reflect a total provision of Euro 1.7 million.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Categories and fair value of financial assets and liabilities

The following table presents a detailed analysis of financial assets and liabilities at December 31, 2024, as per IFRS 7, according to the categories established by IFRS 9.

In thousands of Euro

	Total accounts	IFRS 9 Category		
		<i>Assets at amortised cost</i>	<i>Assets at fair value through profit or loss</i>	<i>Liabilities at amortised cost</i>
FINANCIAL ASSETS				
- Investments in other companies	4,750		4,750	
- Non-current financial assets	2,159	2,159		
- Other non-current assets	7,942	7,942		
- Current financial assets	-	-		
- Trade receivables	3,074	3,074		
- Other current assets	4,293	4,293		
- Cash and cash equivalents	101,684	101,684		
	123,902	119,152	4,750	-
FINANCIAL LIABILITIES				
- Non-Current financial liabilities	30			30
- Non-current financial payables for leasing	6,547			6,547
- Current financial liabilities	21			21
- Current lease liabilities	2,993			2,993
- Current portion of non-current financial payables	2,003			2,003
- Other non-current liabilities	15,852			15,852
- Other current liabilities	32,105			32,105
- Trade payables	109,213			109,213
	168,764	-	-	168,764

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 December 31, 2024.

Financial income and charges recognised as per IAS 9

The following table presents the financial income and charges generated by financial assets and liabilities, broken down by category as per IFRS 9 for 2024.

In Euro thousands	Financial income/(charges) recognised through profit or loss		Actuarial gains/(losses) recognised to comprehensive income statement
	From interest	From fair value changes	From fair value changes
Assets at amortised cost		-	-
Assets at fair value			
Through Profit or loss			
Statement			
Liabilities at amortised cost	252	-	-
Financial instruments - Derivatives	-	-	-
Total categories	252	-	-

The items presented in the table mainly concern financial charges for the EIB loans and those related to financial liabilities as per IFRS 16.

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).

This section provides qualitative and quantitative disclosure upon the impact of these risks on the Company and on the Group.

The following quantitative data cannot be used for forecasting purposes or completely reflect the complexity and the related market reactions which can derive from any change in assumptions.

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 December 31, 2024 essentially concerned the overall carrying amount of trade receivables, whose value at this date amounted to Euro 3,074 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 clients, 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 December 31, 2024 these are recorded net of a doubtful debt provision of Euro 487 thousand. The overdue amounts were therefore not significant and entirely relate to timing factors.

For trade receivables, each financial year, an individual assessment of risk is carried out and a specific doubtful debt provision accrued, which takes account of an estimate of recoverable amounts and any disputes in progress and possible maturity extensions.

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.

Liquidity analysis

The following table breaks down future contractual cash flows generated by financial and commercial liabilities and by the principal other liabilities of the Group (in Euro thousands).

The table reports non-discounted cash flows, including the capital portion and any interest, on the basis of market conditions at the reporting date. The analysis incorporates expectations upon the materialisation of cash flows on the basis of the contractually-established repayment dates or in certain cases the estimated dates. In the absence of an established repayment date, the amounts were recognised based on an estimate according to the available information. For this reason, the treasury accounts were included in the on-demand bracket.

	Book values	On demand	Within 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total cash flows
Current financial liabilities:									
- Current financial payables to companies under joint control	-	-	-	-	-	-	-	-	-
- Current lease liabilities	2,993	-	2,993	-	-	-	-	-	2,993
- Financial payables <i>EIB Loan</i>	2,003	-	2,003	-	-	-	-	-	2,003
	4,996	-	4,996	-	-	-	-	-	4,996
Trade payables (including companies under joint control)	109,213	-	109,213	-	-	-	-	-	109,213
	109,213	-	109,213	-	-	-	-	-	109,213
Other non-current liabilities:									
- Financial payables <i>EIB Loan</i> Euro 40 mln	-	-	-	-	-	-	-	-	-
- Financial payables <i>EIB Loan</i> Euro 10 mln	-	-	-	-	-	-	-	-	-
- Non-current financial payables for leasing	6,547	-	-	1,309	1,309	1,309	1,309	1,309	6,547
	6,547	-	-	1,309	1,309	1,309	1,309	1,309	6,547
Other current liabilities									
- Social security institutions	4,134	-	4,134	-	-	-	-	-	4,134
- Employee payables	11,909	-	11,909	-	-	-	-	-	11,909
- Other payables to third parties	1,756	-	1,756	-	-	-	-	-	1,756
	17,798	-	17,798	-	-	-	-	-	17,798
Total cash flows	138,554	-	132,007	1,309	1,309	1,309	1,309	1,309	138,554

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, it is deemed that significant market risks from fluctuations in exchange rates or interest rates on financial receivables and payables do not exist.

The Company and the Group, considering that stated with regards to the insignificant market risk related to exchange rate and interest rate movements, at December 31, 2024 had not undertaken specific cash flow hedges in relation to these types of risks.

Interest rate risk

The company has a loan with the European Investment Bank (EIB) for a residual total of Euro 2 million, 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, 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.



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The following tables present the quantification of transactions with related parties not falling within the Group consolidation on the Balance Sheet at December 31, 2024 and on the Group Income Statement for 2023 (in Euro thousands):

December 31, 2024											
Counterparty	Right-of-use assets	Other non-current assets	Inventories and Advances to suppliers	Trade receivables	Other current assets	Contract work-in-progress	Non-current financial assets	Trade payables	Other current liabilities	Advances from clients for contract work-in-progress	Financial liabilities
Leonardo S.p.A.			630					2,843	105		
MBDA Italia S.p.A.				46		3,026				42,813	
MBDA France S.A.				135		11,839				31,224	
Thales Alenia Space Italia S.p.A.											
Vitrociset S.p.A.											
Companies with a connecting relationship and relative investee companies	0	0	630	182	0	14,865	0	2,843	105	74,037	0
Termica Colleferro S.p.A.	701			918			2,010	2,205			673
Europropulsion S.A.			51,711	16		10,254		609		24,449	
Potable Water Services Consortium				302	5			42			
Servizi Colleferro - Consortium Limited Liability Company				132				119			
Associates and jointly controlled companies	701	0	51,711	1,368	5	10,254	2,010	2,976	0	24,449	673
Total related parties	701	0	52,341	1,550	5	25,119	2,010	5,818	105	98,486	673
Total book value	11,693	7,942	314,101	3,074	4,293	154,981	2,010	109,213	32,105	555,601	11,594
% on total account items	6.00%	0.00%	16.66%	50.42%	0.12%	16.21%	100.00%	5.33%	0.33%	17.73%	5.80%

In 2024, the main income statement transactions by the Group with related parties were as follows (in Euro thousands):

December 31, 2024					
Counterparty	Operating Revenues and changes in contract work-in-progress ⁽¹⁾	Other operating revenue	Other Costs ⁽²⁾	Financial Income	Financial Charges
Leonardo S.p.A.			4,795		
MBDA Italia S.p.A.	7,623				
MBDA France S.A.	51,320				
Thales Alenia Space Italia S.p.A.	(40)		1,797		
Vitrociset S.p.A.	0				
Companies with a connecting relationship and relative investee companies	58,903	0	6,592	0	0
Termica Colleferro S.p.A.	5	98	9,011		10
Europropulsion S.A.	66,266	229	48,065		
Potable Water Services Consortium	48	27	263		
Servizi Colleferro - Consortium Limited Liability Company	260	42	983		
Associates and jointly controlled companies	66,579	395	58,321	0	10
Total related parties	125,482	395	64,913	0	10
Total book value	480,420	8,854	466,607	726	2,346
% on total account items	26.12%	4.46%	13.91%	0.00%	0.41%

⁽¹⁾ The account includes revenues from sales and services and does not include the advancement of work from contract work-in-progress not yet concluded.

⁽²⁾ The account includes raw material consumables, service costs and personnel expenses.

Transactions with companies with a connecting relationship and relative investee companies

The transactions with Leonardo S.p.A., considered a company with whom a connecting relationship exists, concern assistance and consultancy services. Transactions with investee companies by Leonardo are typically 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 for the Camm-er orders. Their release is based on completion of the relative contractual milestones.

Transactions with non-consolidated subsidiaries

Group transactions with non-consolidated subsidiaries concern ordinary operating activities and are concluded at normal market conditions.

Transactions with associates and jointly-controlled companies

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 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 intercompany 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.

The bank guarantees to the Sitab Consortium in liquidation concern supplies in previous years and, together with the Consortium, are expected to be withdrawn shortly.

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.

8. LIST OF GROUP COMPANIES AT DECEMBER 31, 2024

The following table presents the key details of Avio Group investees at December 31, 2024:

Companies included in the consolidation scope at December 31, 2023			Holdin g
Parent			
Company name	Registered office	Share capital	% Held
Avio S.p.A.	via Leonida Bissolati, 76 - Rome	EURO 90,964,212.9 0	N/A
Companies consolidated by the line-by-line method			
Company name	Registered office	Share capital	% Held
Spacelab S.p.A.	via Leonida Bissolati, 76 - Rome	EURO 3,000,000.0 0	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 53,929,691.0 0	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)	8.00 (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 1,200,000.0 0	50%
Associates, measured at equity			
Termica Colleferro S.p.A.	Via degli Agresti, 4 and 6 Bologna	EURO 6,100,000.0 0	40%

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

9. DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

In accordance with Article 149 *duodecies* of the Consob Issuer's Regulation, we report below the information concerning fees paid in 2024 for audit and other services by the audit firm Deloitte & Touche S.p.A. and its network (in Euro thousands):

Type of service	Company	Service provider	Fees
Audit Services	Parent Company - Avio S.p.A.	Deloitte & Touche S.p.A.	275
	Subsidiaries	Deloitte & Touche S.p.A. ⁽¹⁾	52
	Subsidiaries	Parent audit firm network ⁽²⁾	13
Other services	Parent Company - Avio S.p.A.	Deloitte & Touche S.p.A. ⁽³⁾	234
Total	Total		575

(1) The amount concerns the audit of the subsidiaries Spacelab S.p.A., Se.Co.Sv.Im. S.r.l. and Temis S.r.l.;

(2) The amount refers to the audit of the statutory financial statements of Avio Guyana S.a.S.;

(3) The amount refers to (i) the limited audit of the Avio Group's Sustainability Statement in the amount of Euro 95 thousand; (ii) for the remainder to GAP Analysis activities for the new CSRD

10. DISCLOSURE ON PUBLIC GRANTS AS PER ARTICLE 1, PARAGRAPHS 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 2024:

Avio S.p.A.

The parent company Avio S.p.A. benefited from the following grants during the year:

- 1) Grants under Law No. 808 of December 24, 1985 *"Incentives for the development and improved competitiveness of the aerospace sector industries"*

Lender	Project	Years_costs Project	Loans issued in 2024 (€/mln)	Collection date	Receivables from Ministry for Economic Development (€/mln)
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".

2) Other supports

Lender	Project	Years_costs Project	Loans issued in 2024 (€/mln)	Collection date	Nominal receivable to be collected (€/mln)
European Commission Horizon Europe	ENLIGHTEN-ED - Low cost high thrust propulsion for European strategic space launchers - technologies maturation including ground tests, Engine Demonstration	ADVANCE	1.09	05.04.2024	NA
Lazio Region Lazio Innova	AMOI - Advanced Materials Open Infrastructure	ADVANCE	1.04	18.04.2024	NA
EDF European Defense Fund	NEMOS Novel Earth and Maritime Observation Satellite	2023	0.07	29.07.2024	0
European Commission Horizon Europe	ENLIGHTEN - Low cost high thrust propulsion for European strategic space launchers - technologies maturation including ground tests	2022-2023	0.40	20.12.2024	NA
European Commission Horizon Europe	SALTO - Strategic Autonomy in developing, deploying and using global spaced-based infrastructures, service applications	2022-2024	0.28	14.05.2024	NA
Ministry for Economic Development (Mise) now MIMIT Major Projects PON (National Programme)	Innovative Composite Materials for the Aerospace and Automotive Industries I.S.A.A.C.	2021	0.84	24.10.2024	NA
EDF European Defense Fund	Hydis2 Hypersonic Defense Interceptor System	ADVANCE	2.00	21.11.2024	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.

11. SUBSEQUENT EVENTS

Business

ESA Zero Debris Charter with BULL Co., Ltd.

Avio recently signed the ESA Zero Debris Charter and is fully committed to compliance thereto. All components of the Vega C launcher are systematically de-orbited following launch, including the AVUM+ last stage, which performs an atmospheric re-entry manoeuvre to clear orbit following satellite deployment.

We consider in this regard the recent signing of a Memorandum of Understanding (MOU) with BULL Co., Ltd., a Japanese start-up developing a space debris prevention device, to study the application of an innovative space debris prevention device aboard the Vega C rocket. The collaboration with BULL will further improve Vega C's respect for the orbital environment.¹⁰⁵

First bi-propellant ignition tests successfully carried out¹⁰⁶

In February 2025, the first ignitions in bipropellant mode of the first prototype of the MPGE, Multi Purpose Green Engine, were successfully carried out on a test stand - also built as part of the project - at Avio's facilities. The engine ignited correctly, achieved the expected steady-state thermal conditions and chamber pressure, demonstrated better-than-expected combustion efficiency, and performed a correct and stable ignition and shutdown sequence. In addition, good accuracy of the regenerative cooling model was demonstrated.

The MPGE, Multi Purpose Green Engine, is a green engine that uses hydrogen peroxide and kerosene as propellants completely designed, manufactured, assembled and tested in Italy. The project, developed under the National Recovery and Resilience Plan, is executed by Avio and coordinated by the ASI (Italian Space Agency), with contributions from SMEs, universities and startups.

Success for Ariane 6 flight VA263¹⁰⁷

On March 6, 2025, the Ariane 6 launcher successfully completed flight VA263 from the Guiana Space Centre, putting the CSO-3 satellite into orbit for the French Armed Forces. Avio is partner of the 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 engines provided more than 80% of take-off thrust, ensuring optimal performance. Avio will continue to supply these boosters, which will be used in a two or four-unit configuration depending on the payload to be carried to orbit.

Avio is also developing a more powerful version of the booster, called the P160, which will increase the launcher's thrust and payload capacity, contributing to missions for the Amazon Kuiper satellite constellation, among others. The P160 will be the world's largest carbon fibre monolithic engine and will also be used by the Vega C.

Update with reference to Avio's progressive assumption of the Launch Service Operator (LSO) and Launch Service Provider (LSP) functions of Vega C

With reference to what is reported in the section "Group principal risks and uncertainties" of the Directors' Report, at present most of the customers who have signed contracts with ArianeEspace for Vega C launch services have expressed their consent to the transfer of these contracts to Avio; the formalities associated with the transfer process are being finalised with an expectation of completion in the first half of 2025.

* * *

March 13, 2025

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

¹⁰⁵ See also the January 15, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/prevenzione-dei-detriti-spaziali-con-nuovo-dispositivo-su-vega-c>

¹⁰⁶ See also the February 24, 2025 press release at the link: <https://www.avio.com/it/comunicati-stampa/motore-mpge-effettuati-con-successo-primi-test-di-accensione-bi-propellente>

¹⁰⁷ See press release of March 6, 2025 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-va263-dellariane-6>

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET	Note	December 31, 2024	December 31, 2023
<i>(in Euro)</i>			
ASSETS			
Total non-current assets			
Property, plant and equipment	3.1	129,693,558	115,413,243
Right-of-use	3.2	26,753,781	28,966,156
- of which related parties		17,870,919	23,054,864
Intangible assets with definite life	3.3	126,877,234	124,133,047
Goodwill	3.4	61,005,397	61,005,397
Investments	3.5	97,188,232	93,464,194
Non-current financial assets	3.6	2,159,040	2,010,172
- of which related parties		2,159,040	2,010,172
Deferred tax assets	3.7	84,533,391	77,335,570
Other non-current assets	3.8	4,222,310	63,750,863
- of which related parties		150,000	150,000
Total non-current assets		532,432,943	566,078,643
Current assets			
Inventories and Advances to Suppliers	3.9	310,635,005	279,423,028
- of which related parties		53,340,831	66,632,001
Contract work-in-progress	3.10	155,999,977	122,821,757
- of which related parties		25,119,162	16,561,817
Trade receivables	3.11	3,785,612	3,545,658
- of which related parties		3,128,908	2,657,713
Cash and cash equivalents	3.12	94,992,783	87,871,534
Current financial assets	3.13	1,665,501	1,976,904
- of which related parties		1,665,501	1,976,904
Tax receivables	3.14	15,740,930	12,655,226
Other current assets	3.15	4,383,253	8,067,785
- of which related parties		1,038,555	1,998,447
Total current assets		587,203,061	516,361,890
TOTAL ASSETS		1,119,636,005	1,082,440,533

BALANCE SHEET	Note	December 31, 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	17,302,767	15,107,762
Retained earnings		44,223,664	44,515,557
Net profit for the year		7,991,577	5,708,107
TOTAL EQUITY		291,402,905	287,216,324
LIABILITIES			
Non-current liabilities			
Non-current financial payables	3.19	-	2,000,000
Non-current financial payables for leasing		19,250,687	19,733,904
- of which related parties	3.20	14,512,714	16,243,965
Employee provisions	3.21	7,537,534	7,194,084
Provisions for risks and charges	3.22	10,219,019	14,926,337
Other non-current liabilities	3.23	15,212,208	74,754,549
Total non-current liabilities		52,219,448	118,608,874
Current liabilities			
Current financial liabilities		37,174,577	38,906,791
- of which related parties	3.24	37,174,577	38,906,767
Current financial liabilities for leasing		7,811,161	10,036,476
- of which related parties	3.25	5,516,976	8,797,292
Current portion of non-current financial payables	3.26	2,003,000	10,018,000
Provisions for risks and charges	3.22	15,809,972	11,739,411
Trade payables		130,962,556	132,204,411
- of which related parties	3.27	34,106,161	30,912,632
Advances from clients for contract work-in-progress		556,947,993	452,830,019
- of which related parties	3.10	99,975,572	79,697,600
Current income tax payables	3.28	3,096,551	1,865,575
Other current liabilities		22,207,841	19,014,652
- of which related parties	3.29	473,341	467,593
Total current liabilities		776,013,651	676,615,335
TOTAL LIABILITIES		828,233,099	795,224,209
TOTAL LIABILITIES AND EQUITY		1,119,636,005	1,082,440,533

INCOME STATEMENT	Note	FY 2024	FY 2023
<i>(in Euro)</i>			
Revenues		474,978,786	339,812,787
- of which related parties	3.30	125,859,622	106,075,114
Change in inventory of finished products, in progress and semi-finished		2,851,428	10,563,827
Other operating revenues		5,969,984	5,304,785
- of which related parties	3.31	987,379	1,004,587
Consumption of raw materials	3.32	(142,379,895)	(110,443,005)
Service costs	3.33	(222,729,884)	(151,778,055)
- of which related parties		(96,307,992)	(63,138,776)
Personnel expense	3.34	(93,667,089)	(78,082,599)
Amortisation & depreciation	3.35	(20,109,030)	(17,766,007)
Other operating costs	3.36	(3,772,131)	(3,513,857)
Costs capitalised for internal works	3.37	5,915,834	8,131,674
EBIT		7,058,004	2,229,551
Financial income		693,022	2,511,786
- of which related parties	3.38	101,882	109,529
Financial charges	3.39	(2,856,443)	(2,580,788)
- of which related parties		(674,331)	(1,811,479)
NET FINANCIAL INCOME/(CHARGES)		(2,163,421)	(69,002)
Other investment income/(charges)	3.40	2,199,979	3,000,000
- of which related parties		2,199,979	3,000,000
INVESTMENT INCOME/(CHARGES)		2,199,979	3,000,000
PROFIT BEFORE TAXES		7,094,562	5,160,549
Income taxes	3.41	897,014	547,559
NET PROFIT		7,991,577	5,708,107
Basic earnings/(losses) per share	3.42	0.32	0.23
Diluted earnings/(losses) per share	3.42	0.31	0.22

COMPREHENSIVE INCOME STATEMENT	FY 2024	FY 2023
<i>(in Euro)</i>		
NET PROFIT FOR THE YEAR (A)	7,991,577	5,708,107
Other comprehensive income items:		
- Actuarial gains/(losses) - Actuarial gains/losses reserve	(50,141)	(111,248)
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)	26,487	15,785
TOTAL OTHER COMPREHENSIVE INCOME ITEMS, NET OF TAX EFFECT (B)	(23,654)	(95,463)
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR (A+B)	7,967,923	5,612,645

STATEMENT OF CHANGES IN EQUITY

(Euro thousands)

	Share capital	Share premium reserve	Treasury shares	Other reserves				Retained earnings	Profit for the year	Total equity
				Unavailable reserve for treasury shares in portfolio	Legal reserve	Actuarial gains/(losses) reserve	Stock grant reserve			
Equity at 31/12/2022	90,964	130,687	(13,569)	13,569	18,193	(3,612)	54	46,649	(1,895)	281,041
Allocation of prior year result								(1,895)	1,895	-
Other changes		234	234	(234)			568	(239)		563
Comprehensive income/(loss) for the year										
- Net profit/(loss) for the year									5,708	5,708
- Other changes										-
- Actuarial gains/(losses), net of tax effect						(95)				(95)
Comprehensive income/(loss) for the year	-	-	-	-	-	(95)	-	-	5,708	5,613
Equity at 31/12/2023	90,964	130,921	(13,335)	13,335	18,193	(3,707)	622	44,516	5,708	287,216
Allocation of prior year result								5,708	(5,708)	-
Distribution dividends								(6,000)		(6,000)
Other movements							2,218			2,218
Comprehensive income/(loss) for the year										
- Net profit/(loss) for the year									7,992	7,992
- Other changes										-
- Actuarial gains/(losses), net of tax effect						(24)				(24)
Comprehensive income/(loss) for the year	-	-	-	-	-	(24)	-	-	7,992	7,968
Equity at 31/12/2024	90,964	130,921	(13,335)	13,335	18,193	(3,731)	2,840	44,224	7,992	291,403

CASH FLOW STATEMENT

(Euro thousands)

	2024	2023
OPERATING ACTIVITIES		
Net profit for the year	7,992	5,708
Adjustments for:		
- Income taxes	(897)	(548)
- Financial (Income)/Charges	2,163	69
- Amortisation & Depreciation	20,109	17,766
- Write-down equity investments		
Net change provisions for risks and charges	(637)	(8,831)
Net change employee provisions	320	(508)
Changes in:		
- Inventories and advances to suppliers	(31,212)	(80,993)
- <i>of which related parties</i>	13,291	(16,698)
- Contract work-in-progress & advances from clients	70,940	88,190
- <i>of which related parties</i>	11,721	15,542
- Trade receivables	(240)	1,312
- <i>of which related parties</i>	(471)	1,868
- Trade payables	(1,242)	16,808
- <i>of which related parties</i>	3,194	(18,729)
- Other current & non-current assets	(4,393)	185
- <i>of which related parties</i>	960	2,095
- Other current & non-current liabilities	5,320	1,651
- <i>of which related parties</i>	6	(565)
Income taxes paid		
Interest paid	(126)	(143)
Net liquidity generated/(employed) in operating activities	(A) 68,097	40,667
INVESTING ACTIVITIES		
Investments in:		
- Property, plant & equipment	(18,105)	(18,755)
- Intangible assets with definite life	(11,969)	(13,069)
- Equity Investments	(3,724)	(4,383)
Disposal price of tangible, intangible & financial assets		
Liquidity generated (employed) in investing activities	(B) (33,798)	(36,208)
FINANCING ACTIVITIES		
EIB loan	(10,000)	(10,000)
Centralised treasury effect with subsidiary and jointly controlled company	-	(27,769)
- <i>of which related parties</i>	-	(27,769)
Dividends paid by the parent Avio S.p.A.	(6,000)	-
Acquisition of treasury shares	-	-
Other changes to financial assets and liabilities	(11,178)	(4,339)
- <i>of which related parties</i>	335	1,111
Liquidity generated (employed) in financing activities	(C) (27,177)	(42,108)
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(A)+(B)+(C) 7,121	(37,649)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	87,872	125,520
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	94,993	87,872

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 December 31, 2024 and December 31, 2023 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land	-	-	-	-	-	-
Buildings	49,380	(12,015)	37,365	46,624	(11,067)	35,556
Plant & machinery	87,273	(59,651)	27,622	82,465	(58,083)	24,381
Industrial & commercial equipment	12,927	(12,354)	573	12,643	(12,204)	440
Other assets	14,321	(9,405)	4,916	12,604	(8,268)	4,335
Assets in progress and advances	59,218	-	59,218	50,701	-	50,701
Total	223,118	(93,425)	129,694	205,036	(89,622)	115,413

The changes in the year 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	31/12/2024
Land	-	-	-	-	-
Buildings	46,624	2,756	-	-	49,380
Plant & machinery	82,465	4,809	-	-	87,273
Industrial & commercial equipment	12,643	284	-	-	12,927
Other assets	12,604	1,796	(79)	-	14,321
Assets in progress and advances	50,701	8,517	-	-	59,218
Total	205,036	18,162	(79)	-	223,118

The increases in the year of Euro 18,162 thousand mainly concern:

- assets in progress and advances for Euro 8,517 thousand. These investments mainly concerned the works to construct the infrastructure for the Next-Gen EU projects for Euro 4,635 thousand, and maintenance expenses and for other assets for Euro 3,557 thousand;
- plant and production machinery amounting to Euro 4,809 thousand, mainly to achieve increased flight cadence;
- Other assets amounting to Euro 1,796 thousand, mainly relating to IT equipment and furnishings related to the Group's administrative site;
- equipment amounting to Euro 284 thousand, mainly relating to production control instruments;
- buildings amounting to Euro 2,756 thousand, mainly related to extraordinary maintenance and construction of sites for equipment and product storage.

The changes in the year of the accumulated depreciation provision 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	31/12/2024
Buildings	(11,067)	(947)	-	-	(12,015)
Plant & machinery	(58,083)	(1,568)	-	-	(59,651)
Industrial & commercial equipment	(12,204)	(150)	-	-	(12,354)
Other assets	(8,268)	(1,159)	23	-	(9,405)
Total	(89,622)	(3,825)	23	-	(93,425)

The depreciation in the year 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 assets at December 31, 2024 are shown net of the accumulated depreciation provisions, as illustrated in the table below (Euro thousands).

	31/12/2024			31/12/2023		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Land right-of-use	3,066	(717)	2,349	2,570	(571)	1,999
Buildings right-of-use	48,754	(29,576)	19,178	49,020	(24,646)	24,374
Plant and machinery right-of-use	1,690	(959)	730	1,690	(793)	896
Other assets right-of-use	7,714	(3,217)	4,496	3,996	(2,300)	1,696
Total	61,223	(34,470)	26,753	57,276	(28,310)	28,966

The gross values of these rights at December 31, 2024 (in Euro thousands) are reported below:

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	31/12/2024
Land right-of-use	2,570	496	-	-	3,066
Buildings right-of-use	49,020	821	(1,086)	-	48,754
Plant and machinery right-of-use	1,690	-	-	-	1,690
Other assets right-of-use	3,996	4,237	(519)	-	7,714
Total	57,276	5,553	(1,606)	-	61,223

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

- leasing of areas and buildings in the Colleferro industrial district by the subsidiary company Se.Co.Sv.Im. S.r.l., including the group's headquarters;
- 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 Paris (France), Airola (Campania) and Villaputzu (Sardinia); leasing of apartments for employees in French Guiana; hiring of company cars.

The increases in the year of Euro 5,553 thousand concern the new company use vehicle lease contracts, the new apartment lease contracts/renewals for the employees in Guiana, where the spaceport is located, and the new lease contract for the Avio branch located in Paris.

The decreases, amounting to Euro 1,606 thousand, related to the termination of lease contracts for vehicles and apartments for employees.

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

Gross values	31/12/2023	Increases	Decreases for contract conclusion	Reclassifications and other changes	31/12/2024
Land right-of-use	(571)	(146)	-	-	(717)
Buildings right-of-use	(24,646)	(5,520)	590	-	(29,576)
Plant and machinery right-of-use	(793)	(166)	-	-	(959)
Other assets right-of-use	(2,300)	(1,227)	310	-	(3,217)
Total	(28,310)	(7,059)	900	-	(34,470)

3.3. INTANGIBLE ASSETS WITH DEFINITE LIFE

The values of Intangible assets with definite life at December 31, 2024 are shown net of the accumulated amortisation provisions, as illustrated in the table below (Euro thousands).

The table illustrates the comparison between the balances in Intangible assets with definite life of Avio S.p.A. at December 31, 2024 with December 31, 2023.

	31/12/2024			31/12/2023		
	Gross values	Accumulated amortisation	Net book value	Gross values	Accumulated amortisation	Net book value
Development costs - amortisable	71,685	(18,052)	53,633	71,685	(14,553)	57,132
Development costs - in progress	27,915	-	27,915	25,540	-	25,540
Total development costs	99,600	(18,052)	81,548	97,225	(14,553)	82,672
Assets from PPA 2017 - Programmes	44,785	(23,139)	21,646	44,785	(20,153)	24,632
Concessions, licenses, trademarks and similar rights	26,183	(13,867)	12,316	20,024	(12,160)	7,864
Other	16,027	(4,951)	11,075	12,592	(3,918)	8,674
Assets in progress and advances	291	-	291	291	-	291
Total	186,886	(60,009)	126,877	174,917	(50,784)	124,133

The development costs being amortised primarily refer to design and testing costs relating to the Z40 and P120C 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, mainly referring to new liquid oxygen and methane engines.

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.

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

The changes in the gross values of Intangible assets with definite life of Avio S.p.A. are illustrated in the table below (Euro thousands):

Gross values	31/12/2023	Increases	Decreases	Reclassifications and other changes	31/12/2024
Development costs - amortisable	71,685	-	-	-	71,685
Development costs - in progress	25,540	2,375	-	-	27,915
Total development costs	97,225	2,375	-	-	99,600
Assets from PPA 2017 - Programmes	44,785	-	-	-	44,785
Concessions, licenses, trademarks and similar rights	20,024	6,159	-	-	26,183
Other	12,592	3,435	-	-	16,027
Assets in progress and advances	291	-	-	-	291
Total	174,917	11,969	-	-	186,886

The increases in 2024 of Intangible Assets with definite life amounted to Euro 11,969 thousand, of which principally:

- Euro 2,375 thousand, mainly for design and testing costs for the construction of the new products and avionics elements;
- Euro 6,159 thousand concerning software licenses and introduction projects;
- Euro 3,435 thousand essentially related to the review of procedures for production efficiency, as well as the drawing up of business plans.

The changes in 2024 to accumulated amortisation were as follows (in Euro thousands):

Accumulated amortisation	31/12/2023	Increases	Decreases	Reclassifications and other changes	31/12/2024
Development costs - amortisable	(14,553)	(3,498)	-	-	(18,052)
Development costs - in progress	-	-	-	-	-
Total development costs	(14,553)	(3,498)	-	-	(18,052)
Assets from PPA 2017 - Programmes	(20,153)	(2,986)	-	-	(23,139)
Concessions, licenses, trademarks and similar rights	(12,160)	(1,707)	-	-	(13,867)
Other	(3,918)	(1,034)	-	-	(4,951)
Total	(50,784)	(9,225)	-	-	(60,009)

3.4. GOODWILL

The goodwill, recognised to the financial statements at December 31, 2024 for Euro 61,005 thousand, concerns 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;

As indicated in Note 2.7. Accounting standards and basis of preparation", 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 at the reporting date, the outcome of which did not indicate the need for a write-down of the carrying amount of goodwill at December 31, 2024.

The recoverability of the amounts recognised are verified through comparing the net capital employed (carrying amount) of the CGU with the relative recoverable value. The recoverable value of goodwill is based on the calculation of the value in use i.e. the present value of future operating cash flows on the basis of the estimates included in the long-term plans approved by the Group and an adjusted terminal value, employed to express a summary estimate of future results over the explicitly considered timeframe. These cash flows are thereafter discounted according to discount rates reflecting the present market valuations of the cost of money and which take account of the specific risks of Group operations and of the CGU considered.

At December 31, 2024, cash flows for the Space CGU were estimated based on projections from the 2024-2028 Business Plan, approved by the Board of Directors on September 11, 2024. For the calculation of the terminal value, the expected cash flows for the final year of the plan were normalised according to the perpetuity method, assuming 2.0% growth (same as the previous year) for forecast cash flows (in line with forecast Italian medium/long-term inflation¹⁰⁸).

For the purposes of preparing the impairment test, cash flows were discounted at a weighted average cost of capital ("WACC") of 8.7% (1.1% higher than the 9.8% used in the previous year), estimated in accordance with the Capital Asset Pricing Model approach.

The estimates and the plan data used in the application of the above indicated parameters are calculated by directors based on past experience and forecasts concerning Group markets, where estimates can be reasonably made. It is therefore highlighted that the current international economic environment and the possible economic-financial repercussions, also on spending levels by national governments and supranational institutions on space access policies, as well as potential future developments in European launcher governance referred to in the ESA Council decisions of November 6, 2023¹⁰⁹, may create uncertainties around the achievement of objectives and the level of activities considered in the plan. The estimate of the recoverable value of goodwill requires subjectivity and the use of estimates by the directors and, although considering that the production and commercialisation cycles for products cover extensive timeframes which therefore permit the recovery of any delays on plan objectives, it should be considered that goodwill may be impaired in future periods due to changes in the general environment which are currently unforeseeable. The circumstances and events which may result in further impairments are constantly monitored by the directors.

The impairment test was conducted by the Company with the external support of a leading consulting firm.

For the results and effects of the impairment test, reference should be made to Note 3.5 of the Consolidated Financial Statements of the Avio Group."

¹⁰⁸ Source: Economist Intelligence Unit database

¹⁰⁹ 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



3.5. INVESTMENTS

The table below presents the parent company Avio S.p.A.'s equity investments at December 31, 2024 (in Euro thousands) and the comparison with the share of equity for the investments in subsidiaries, associates and joint ventures:

Company	Site	% held	Book value	Equity	Equity share	Difference Holding / Equity share
Investments in subsidiaries						
Spacelab S.p.A.	Rome	70%	2,650	5,959	4,171	(1,521)
Se.Co.Sv.Im. S.r.l.	Colleferro (RM)	100%	58,640	66,796	66,796	(8,156)
Regulus S.A.	Kourou (French Guyana)	60%	9,590	20,616	12,369	(2,779)
Avio Guyane S.A.S.	Kourou (French Guyana)	100%	50	954	954	(904)
Avio France S.A.S.	Paris/Kourou (French Guyana)	100%	50	360	360	(310)
Temis S.r.l.	Corbetta (Milan)	100%	3,355	596	596	2,758
Avio USA Inc.	Wilmington (USA)	100%	6,574	(248)	(248)	6,823
Avio India Aviation Aerospace Private Limited (**)	New Delhi (India)	100%	114	100	100	14
Sub-total			81,024	95,133	85,099	(4,075)
Associates and jointly-controlled companies						
Europropulsion S.A. (*)	Suresnes (France)	50%	3,698	13,641	6,820	(3,122)
Termica Colleferro S.p.A. (**)	Bologna	40%	7,674	14,446	5,778	1,896
Servizi Colleferro - Società Consortile per Azioni (**)	Colleferro (Rm)	32%	38	125	40	(2)
Sitab Consortium in liquidation (***)	Rome	20%	5	(36)	(7)	12
Potable Water Services Consortium	Colleferro (Rm)	25%	-	-	-	-
Sub-total			11,416	28,175	12,631	(1,216)
Total Equity holdings in subsidiaries, associates and jointly-controlled companies			92,439	123,308	97,730	(5,291)
Investments in other companies			4,749			
Total			97,188			

(*) Companies under joint control

(**) financial statements data at December 31, 2023

(***) financial statements data at December 31, 2022

With regard to investments in subsidiaries, a positive differential between the value of the investment and the share of equity is achieved for the following main subsidiaries:

- Temis S.r.l., for Euro 2,758 thousand;
- Avio USA Inc. for Euro 6,823 thousand;

The future net cash flows from the business prospects of these two companies reasonably allow full recovery of the capital gain.

With reference to investments in associates and jointly-controlled companies, the positive difference between the value of the investment and the equity attributable to the associate Termica Colleferro S.p.A., amounting to Euro 1,896 thousand, is expected to be recovered based on future net cash flows from the associate's industrial project, concerning the construction of a new cogeneration plant in order to ensure the supply of constant, non-interruptible heat and power to Avio S.p.A.

The overseas subsidiary Avio India Aviation Aerospace at December 31, 2024 was in liquidation.

The following table presents the changes in the year 2024 in investments in subsidiaries (in thousands of Euro):

	31/12/2023	Increases	Decreases	Other movements	31/12/2024
Spacelab S.p.A.	2,650	-	-	-	2,650
ASPropulsion International B.V.	-	-	-	-	-
Se.Co.Sv.Im. S.r.l.	58,640	-	-	-	58,640
Regulus S.A.	9,590	-	-	-	9,590
Avio Guyane S.A.S.	50	-	-	-	50
Avio France S.A.S.	50	-	-	-	50
Temis S.r.l.	3,355	-	-	-	3,355
Avio USA Inc.	2,850	3,724	-	-	6,574
Avio India Aviation Aerospace Private Limited	114	-	-	-	114
	77,299	3,724	-	-	81,024

In 2024, four capital increases were made in the subsidiary Avio USA Inc. totalling Euro 3,724 thousand.

The following tables presents the changes in the year 2024 in investments in associates and jointly-controlled companies (in thousands of Euro):

	31/12/2023	Increases	Decreases	Other movements	31/12/2024
Europropulsion S.A.	3,698	-	-	-	3,698
Termica Colleferro S.p.A.	7,674	-	-	-	7,674
Servizi Colleferro - Società Consortile per Azioni	38	-	-	-	38
Sitab Consortium in liquidation	5	-	-	-	5
Potable Water Services Consortium	-	-	-	-	-
	11,416	-	-	-	11,416

The statement of changes in the year 2024 in investments in other companies follows (amounts in Euro thousands):

	31/12/2023	Increases	Decreases	Other movements	31/12/2024
Arianespace Participation S.A.	433	-	-	-	433
Arianespace S.A.	-	-	-	-	-
C.I.R.A. (Centro Italiano Ricerche Aerospaziali) S.c.p.A.	60	-	-	-	60
Imast S.c.a.r.l.	22	-	-	-	22
Distretto Aerospaziale Sardegna S.c.a.r.l.	9	-	-	-	9
ART S.p.A.	1,720	-	-	-	1,720
T4i S.p.A.	2,500	-	-	-	2,500
Fondazione ITS Meccatronico del Lazio	5	-	-	-	5
	4,749	-	-	-	4,749

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.

The equity investment in ART is greater than the share of equity by Euro 693 thousand (as, as per the last available financial statements at December 31, 2023, the company's equity was Euro 20,537 thousand. The share is therefore Euro 1,027 thousand). It is considered that the valuations conducted for the purposes of the recent acquisition are valid to date and, therefore, will allow for the recovery of this capital gain.

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 85% 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 equity investment in T4i is greater than the share of equity by Euro 2,000 thousand (as, as per the last available financial statements at December 31, 2023, the company's equity was Euro 2,938 thousand. The share is therefore Euro 499 thousand). It is considered that the valuations conducted for the purposes of the recent acquisition are valid to date and, therefore, will allow for the recovery of this capital gain.

The investments in other companies are valued at cost.

3.6. NON-CURRENT FINANCIAL ASSETS

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

	31/12/2024	31/12/2023	Change
Shareholder loan to Termica Colleferro S.p.A.	2,010	2,010	-
Financial receivable from Avio France	149	-	149
	2,159	2,010	149

This shareholder loan with the associated Termica Colleferro as beneficiary is interest-free.

3.7. DEFERRED TAX ASSETS

Avio's recognised deferred tax assets amount to Euro 84,553 thousand (Euro 77,336 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.

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):

	31/12/2024
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.	7,179
Financial charges exceeding 30% of EBITDA	27,280
<i>Temporary differences deriving from current corporate operations</i>	
Provision for staff charges	1,669
Other deductible temporary differences	7,715
Total gross deferred tax assets	43,843
Deferred tax liability on temporary differences	
<i>Temporary differences deriving from previous corporate operations</i>	
Amortisation intangible assets from PPA 2017 - Customer accreditation	(6,268)
Tax effect R&D expenses First-Time Adoption	(43)
<i>Temporary differences deriving from current corporate operations</i>	
Other temporary assessable differences	(784)
Total gross deferred tax liabilities	(7,095)
Net deferred tax assets/(liabilities)	36,748
Deferred tax assets on tax losses	66,697
Total deferred tax assets	103,445
Deferred tax assets not recorded	(18,912)
Net deferred tax assets (liabilities) recorded	84,533

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 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.

Deferred tax assets recognised to the financial statements mainly concern 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. As a result of the application of paragraph 1079 of Law No. 145 of 2018, deferred tax assets were also partially provisioned related to Space and Aviation goodwill, whose values may be fiscally depreciated between 2026 and 2029. See Note 3.41 "INCOME TAXES" for further details.

3.8. OTHER NON-CURRENT ASSETS

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

	31/12/2024	31/12/2023	Change
Other non-current assets	4,222	63,751	(59,529)
	4,222	63,751	(59,529)

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

	31/12/2024	31/12/2023	Change
Receivables from the General Electric Group	-	58,220	(58,220)
Receivables from the Economic Development Ministry for disbursements pursuant to Law 808/85 - non-current portion	2,099	2,960	(861)
Deposits and other non-current assets	740	1,135	(395)
Prepayments related to land rights	1,384	1,436	(53)
Total	4,222	63,751	(59,529)

The item "Receivables from the General Electric Group" decreased Euro 58,220 thousand compared to the previous year. The decrease is due to the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for the Company of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand therefore no longer apply.

The items were recognised to the financial statements in 2016 and referred 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 was 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 was 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 in an order published on December 13, 2024 finally dismissed the appeal of the Tax Agency against the decision of the Piedmont Second Degree Tax Commission. The court, in fact, upheld the objection that the new wording of Article 20 of Presidential Decree No. 131 of April 26, 1986 retroactively introduced a prohibition against interpreting documents submitted for registration.

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 "3.23. Other non-current liabilities" and to the section "Legal and tax disputes and potential liabilities" in the Explanatory Notes of the consolidated financial statements.

"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).

With regard to "Deposits and other non-current assets" the decrease of Euro 395 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 with Difesa Servizi, partially offset by the payment of a guarantee deposit for the lease of the Avio Branch office in Paris.

The item "Prepayments related to land rights", amounting to Euro 1,384 thousand, related to the portion of the price of land rights accruing beyond the next financial year; in this respect, it is recalled that Avio S.p.A. signed with the subsidiary Se.Co.Sv.Im. on December 15, 2023, a deed of land right with a duration of 30 years, relating to areas, included in the Colleferro industrial district, to be allocated to the project *"Realization of a test center called Orbital Propulsion Test Facility (OPTF) for the development and qualification of motors for space applications, using as propellants 95% oxygen peroxide (HTP) and rocket kerosene (RP.1)"*. This project is included in the National Recovery and Resilience Plan (PNRR) for the development and qualification of the Multi Purpose Green Engine (MPGE) space engine.

CURRENT ASSETS**3.9. INVENTORIES AND ADVANCES TO SUPPLIERS**

The table below illustrates inventories at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Inventories and Advances to suppliers	310,635	279,423	31,212
	310,635	279,423	31,212

The breakdown of the account at December 31, 2024 and relative movements follow (in Euro thousands):

	31/12/2023	Change	31/12/2024
Raw materials, supplies and consumables	102,070	23,893	125,963
Raw material, ancillary and consumables obsolescence provision	(1,356)	(596)	(1,952)
Raw material, ancillary and consumables - net value	100,715	23,296	124,011
Products in work-in-progress	9,009	2,851	11,861
Provision for the write-down of work in progress	-	-	-
Products in work-in-progress - net value	9,009	2,851	11,861
Finished products and other inventories	8,063	-	8,063
Finished products and other inventories obsolescence provision	-	-	-
Finished products and other inventories - net value	8,063	-	8,063
Advances to suppliers	161,635	5,064	166,700
	279,423	31,212	310,635

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 year reflects ordinary business cycle dynamics.

3.10. 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 clients.

"Advances from clients 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, net of advances received from clients is as follows (in Euro thousands):

	31/12/2024	31/12/2023	Change
Contract work-in-progress	156,000	122,822	33,178
Advances for contract work-in-progress	(556,948)	(452,830)	(104,117)
Net total	(400,948)	(330,008)	(70,939)

The table below summarises the contract work-in-progress relating to the projects where the gross value is higher than the advances and is therefore recorded for the net value under assets in the Balance Sheet of Avio S.p.A. (Euro thousands):

	31/12/2024	31/12/2023	Change
Contract work-in-progress (gross)	1,953,823	1,276,604	677,219
Advances for contract work-in-progress (gross)	(1,797,823)	(1,153,782)	(644,041)
Contract work-in-progress (net)	156,000	122,822	33,178

The table below summarises the contract work-in-progress relating to the projects where the gross value is lower than the advances and is therefore recorded, net of the advances, under liabilities in the Balance Sheet of Avio S.p.A. (Euro thousands):

	31/12/2024	31/12/2023	Change
Contract work-in-progress (gross)	668,777	1,179,932	(511,156)
Advances for contract work-in-progress (gross)	(1,225,725)	(1,632,762)	407,038
Advances for contract work-in-progress (net)	(556,948)	(452,830)	(104,118)

The Parent Avio 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 (Art. 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.

The multi-year projects mainly concern those relating to the Vega C and Vega E 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. At present, the share of variable fees accounts for approximately 2% of Contract Work in Progress (gross).

3.11. TRADE RECEIVABLES

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

	31/12/2024	31/12/2023	Change
Trade receivables	3,786	3,546	240
	3,786	3,546	240

The breakdown of trade receivables is as follows:

	31/12/2024	31/12/2023	Change
Receivables from third parties	838	1,023	(185)
Subsidiaries	2,434	2,063	371
Receivables from associates, jointly controlled companies and non-consolidated subsidiaries	513	459	54
Total	3,786	3,546	240

The book value of the receivables approximates their fair value.

Receivables from third parties

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

	31/12/2024	31/12/2023	Change
Gross value	921	1,106	(185)
less: doubtful debt provision	(83)	(83)	-
Total	838	1,023	(185)

The receivables are all due within 12 months. They relate to a few large customers (ESA, Arianespace, MBDA mainly) with whom there are consolidated relations and, in addition, invoices are issued on a "work in progress" basis, therefore following prior approval by the customers.

Subsidiaries

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

	31/12/2024	31/12/2023	Change
Spacelab S.p.A.	34	115	(82)
Regulus S.A.	635	453	182
Se.Co.Sv.Im. S.r.l.	181	177	4
Temis S.r.l.	-	-	-
Avio USA Inc.	1,197	1,167	29
Avio Guyane S.A.S.	225	150	75
Avio France S.A.S.	162	-	162
Total	2,434	2,063	371

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

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

	31/12/2024	31/12/2023	Change
Termica Colleferro S.p.A.	421	283	138
Europropulsion S.A.	16	89	(73)
Potable Water Services Consortium	40	40	-
Servizi Colleferro S.C.p.A.	36	48	(12)
Total	513	459	54

3.12. CASH AND CASH EQUIVALENTS

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

	31/12/2024	31/12/2023	Change
Cash and cash equivalents	94,993	87,872	7,121
Total	94,993	87,872	7,121

Cash and cash equivalents mainly concerning balances on bank current accounts.
Reference should be made to the Cash flow statement with regards to the movements in the period.

3.13. CURRENT FINANCIAL ASSETS

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

	31/12/2024	31/12/2023	Change
Current financial assets	1,666	1,977	(311)
Total	1,666	1,977	(311)

This account concerns the balance of the current account with the subsidiary Avio Guyane S.A.S. for the purpose of centralized Group treasury management.

The transaction is governed by the following market conditions:

- lending rate: Euribor 1 M 365 (determined, month by month, with reference to the last working day of the previous month) - 289 bps (should the ECB reference rates for deposits become negative during the reporting year, then the rate applied will be 0.00%);
- rate payable: Euribor 1 M 365 (determined, month by month, with reference to the last working day of the previous month) + 145 bps. If the Euribor rate is negative, it will be considered zero for the present purposes.

3.14. CURRENT TAX RECEIVABLES

The table below presents tax assets at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Tax receivables	15,740	12,655	3,086
Total	15,740	12,655	3,086

The following table presents the net changes by type of tax credit and tax (in Euro thousands):

	31/12/2024	31/12/2023	Change
VAT	6,574	3,822	2,752
Research and development tax credits	2,830	2,763	67
Tax credits for simple and 4.0 technological innovation	2,260	1,960	300
Tax credits for the purchase of simple new capital goods and 4.0	2,282	2,052	230
Receivables from tax authorities	1,507	1,811	(304)
Tax credit on energy	-	-	-
EU VAT receivables	287	247	40
Total	15,740	12,655	3,086

The item increased on December 31, 2023, mainly due to the increase in VAT receivables. There are deviations in the specific categories of tax and tax credits, however, as described below.

VAT receivables

VAT receivables of Euro 6,574 thousand (Euro 3,822 thousand at December 31, 2023), include:

- Euro 1,890 thousand, relating to VAT reimbursement requests to the Tax Authorities (Euro 1,890 thousand at December 31, 2023);
- Euro 4,684 thousand, relating to VAT reimbursements to date not requested for repayment (Euro 1,932 thousand at December 31, 2023).

VAT receivables in the year reported a net increase of Euro 2,752 thousand - the net effect of:

- decreases for offsets of Euro 2,000 thousand;
- increases for new VAT receivables of Euro 4,752 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 parent company Avio. On the other hand, this latter however has Italian suppliers whose supplies - further to the amounts for which declarations of intent are issued due to the fact that it is a habitual exporter - result in the recognition of VAT receivables.

Research and development and technological innovation tax credit

These tax credits totalled Euro 7,373 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:

- d) 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;
- e) 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;

- f) 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:

4. 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;
5. 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;
6. 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 2024 income statement includes amounts of Euro 1,198 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 2023 was Euro 1,335 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 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 and 2024 pursuant to the 2020 Budget Law as amended

Avio S.p.A. recognised R&D tax credits of Euro 7,372 thousand to these financial statements and accrued in 2020, 2021 and 2023 (for Euro 6,775 thousand) and in 2024 (for Euro 597 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.

Tax receivables

Tax receivables of Euro 1,507 thousand (Euro 1,811 thousand at December 31, 2023), principally concerned:

- receivables for withholding taxes on interest income for Euro 580 thousand;
- tax receivables for IRES of Euro 685 thousand.

EU VAT receivables

The EU VAT receivables relate to inter-EU transactions and amount to Euro 287 thousand (Euro 247 thousand at December 31, 2023).

3.15. OTHER CURRENT ASSETS

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

	31/12/2024	31/12/2022	Change
Other current assets	4,383	8,068	(3,685)
Total	4,383	8,068	(3,685)

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

	31/12/2024	31/12/2023	Change
Economic Development Ministry for disbursements pursuant to Law 808/85 - current portion	854	3,155	(2,301)
Subsidiaries	1,033	1,967	(934)
Employee receivables	1,089	1,019	70
Grants/subsidies receivable	547	960	(413)
Prepayments and accrued income	764	751	12
Other debtors	74	168	94
Receivables from associated company Consorzio Servizi Acqua Potabile	5	31	(26)
Social security institutions	16	16	-
Total	4,383	8,068	(3,685)

"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 3.8).

Receivables from subsidiaries, of Euro 1,033 thousand (Euro 1,967 thousand at December 31, 2023) comprise:

- receivables from the subsidiary Spacelab S.p.A. for Euro 580 thousand (Euro 1,599 thousand at December 31, 2023) relating to the tax consolidation.
- receivables from the subsidiary Se.Co.Sv.Im. S.r.l. for Euro 418 thousand (Euro 368 thousand at December 31, 2023) concerning the tax consolidation.
- receivables from the subsidiary Temis S.r.l. for Euro 35 thousand (Euro 0 thousand at December 31, 2023) also concerning the tax consolidation.

On this point, in fact, it should be noted that starting with the current fiscal year as of December 31, 2024, all of Avio's Italian subsidiaries participate in the national tax consolidation pursuant to Article 117 and subsequent of the Income Tax Law (TUIR), which has a negative taxable income;

Employee receivables of Euro 1,089 thousand (Euro 1,019 thousand at December 31, 2023) concern the Group cash advances for the coverage of mission and travel expenses.

Receivables for grants and subsidies of Euro 547 thousand concerning various projects supported by subsidised financing. Reference should also be made to section "10. Disclosure on public grants as per article 1, paragraphs 125-129, of Law No. 124/2017 of the Consolidated Financial Statements.

EQUITY

3.16. SHARE CAPITAL

The share capital of the parent Avio S.p.A. amounts to Euro 90,964,212 at December 31, 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 December 31, 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 December 31, 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):

	31/12/2024	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	(3,731)	(3,707)	(24)
Stock grant reserve	2,840	622	2,219
	17,303	15,108	2,195

With regard to treasury shares, at December 31, 2024, Avio S.p.A. held 1,091,207 treasury shares, equal to 4.14% of the share capital. The value of the treasury shares acquired amounts to Euro 13,335 thousand; no treasury share transactions took place during the year.

The actuarial gains/losses reserve, amounting to a negative of Euro 3,731 thousand, concern the actuarial losses deriving from the application of IAS 19 revised, with the relative tax effect where applicable.

The stock grant reserve, amounting to Euro 2,840 thousand, represents the accumulated cost as of December 31, 2024, related to five share-based employee compensation plans involving the allocation of treasury shares. A summary of the necessary information in this regard is presented below (amounts in thousands of Euro):

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	Beneficiaries	Target number of shares granted	Vesting period	Stock grant reserve
Restricted Share Plan 2023-2025	professional figures employed by Avio	261,206	2023-2025	929
Performance Share Plan 2024-2026	Senior management	136,492	2024-2026	313
Performance Share Plan 2023-2025	Senior management	87,080	2023-2025	447
Restricted Share Plan 2024-2026	professional figures employed by Avio	236,197	2024-2026	167
Performance Share Plan 2022-2024	Senior management	105,460	2022-2024	983
		826,435		2,840

The "Restricted Share Plan 2024-2026" and the "Performance Share Plan 2024-2026" were approved by the Shareholders' Meeting on April 23, 2024 in order to increase its employees' sense of belonging to Avio:

- the "Performance Shares 2024-2026" plan is for the Chief Executive Officer, Senior Executives and certain other Executives;
- the "Restricted Shares 2024-2026" plan is for employees who play a key role in achieving Avio's strategic goals. The beneficiaries of the plan do not include the Chief Executive Officer/General Manager or the Senior Executives of the Company.

The amount recorded in the stock grant reserve was subject to assessment by a leading independent expert.

The breakdown of the equity accounts according to their origin, utilisation and distribution, as well as utilisation in previous years, is shown in the table below (Euro thousands):

Nature/Description	Amount	Poss. of utilisation	Quota available	Summary of utilisations in previous years	
				To cover losses	Other reasons
Group	90,964				
Capital reserves:					
- Share premium reserve	144,256	A, B, C	130,921	-	-
Profit reserves:					
- Legal reserve	18,193	B			
- Stock grant reserve	2,840	-			
- Actuarial gains and losses	(3,731)	-			
Retained earnings	44,224	A, B, C	40,493	(2,227)	
Total	296,747		171,414		
Non-distributable amount			81,548		
Residual amount distributable			89,865		

Key: A: for share capital increase, B: for coverage of losses and C: for distribution to shareholders.

NON-CURRENT LIABILITIES**3.19. NON-CURRENT FINANCIAL LIABILITIES**

The movement in 2024 is presented in the following table (in Euro thousands):

	31/12/2024	31/12/2023	Change
Non-current financial payables	-	2,000	(2,000)
Total	-	2,000	(2,000)

The item until the previous year mainly concerned two loans agreed with the European Investment Bank (EIB):

- loan of an original Euro 10,000 thousand subscribed in January 2019: this loan had 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. This loan at the date of this financial report was classified to the item "Current portion of non-current financial payables";
- loan of Euro 40,000 thousand subscribed in October 2017: this loan had 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 as of the date of this financial report has been repaid in full.

The two loans were to 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 Colferro facility required to meet the Company's production volume targets for the coming years.

The decrease of Euro 2,000 thousand essentially relates to the reclassification to short-term of the Euro 1,000 thousand instalments, concerning the Euro 10,000 thousand loan, maturing on April 30, 2025 and October 31, 2025.

The short-term portion of the loan, totalling Euro 10 million (including Euro 3 thousand for interest), is therefore recognised under item "3.28. Current portion of non-current financial payables".

The loan still in place at the date of this financial report is not supported by guarantees and stipulates 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 been agreed on this loan.

3.20. 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):

	31/12/2024	31/12/2023	Change
Non-current financial payables for leasing	19,251	19,734	(483)
Total	19,251	19,734	(483)

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

	31/12/2024	31/12/2023	Change
Non-current financial liabilities to the subsidiary Se.Co.Sv.Im. S.r.l. as per IFRS 16	13,955	15,546	(1,591)
Non-current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	557	698	(140)
Non-current financial liabilities to third parties as per IFRS 16	4,738	3,490	1,248
Total	19,251	19,734	(483)

Financial liabilities as per IFRS 16 concern:

- with regards to the liabilities to subsidiaries, the lease of the complex of land and industrial buildings for instrumental use, with networks and general plants, with the subsidiary Se.Co.Sv.Im. S.r.l.;
- with regards to the financial liabilities to associates, the 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.;
- 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;
 - to the lease of the office of the Paris Branch of Avio S.p.A.;
 - the lease of company cars.

3.21. EMPLOYEE BENEFIT PROVISIONS

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

These benefits are generally based on remuneration and years of employee service. The obligations refer to employees in service.

Post-employment benefits

The Company 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 Company pays the contributions to public or private insurance institutions based on legal or contractual obligations. With the payment of the contributions the company satisfies its 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, 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, the portion of the employee leaving indemnity matured subsequent to this date is treated as a defined contribution plan, as the obligation of the Company 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.

Other long-term employee benefits

The Company also recognises to employees other long-term benefits issued on the reaching of a fixed number of years of service. In this instance, the amount of the obligation recognised in the financial statements reflects the probability that the payment will be made and the duration for which it 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 provisions are broken down as follows (in Euro thousands):

	31/12/2024	31/12/2023	Change
- Defined benefit plans:			
Post-employment benefits	2,838	2,946	(108)
Other defined benefit plans	2,497	2,342	155
	5,335	5,289	46
- Other long-term benefits	2,202	1,905	297
Total employee benefit provisions	7,538	7,194	343

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

	Defined benefit plans	Other long-term employee benefits	Total employee benefit provisions
At 31/12/2023	5,289	1,905	7,194
Financial charges/(income)	193	73	265
Actuarial (gains)/losses in income statement	-	75	75
Actuarial (gains)/losses in comprehensive income statement	50	-	50
Pension cost current employees	68	242	310
Benefits paid	(264)	(93)	(357)
At 31/12/2024	5,335	2,202	7,538

The table below illustrates the principal assumptions utilised for the actuarial calculation:

	31/12/2024	31/12/2023
Discount rate	2.77%	3.16%
Expected salary increases	2.16%	2.15%
Inflation rate	European Zero-Coupon Inflation-Indexed Swap curve at 31.12.2024	European Zero-Coupon Inflation-Indexed Swap curve at 29.12.2023
Average employee turnover rate	4.99%	4.90%

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.

3.22. PROVISIONS FOR RISKS AND CHARGES

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

	31/12/2024	31/12/2023	Change
Provisions for risks and charges	26,029	26,666	(637)
Total	26,029	26,666	(637)

The breakdown of the provisions for risks and charges at December 31, 2024 is presented below (Euro thousands):

	31/12/2024		
	Current portion	Non-current portion	Total
Provision for variable remuneration	6,513	1,289	7,802
Provisions for risks and legal charges	-	105	105
Other provisions for risks and charges	9,297	8,825	18,122
Total	15,810	10,219	26,029

These provisions include:

- provisions for variable remuneration for Euro 7,802 thousand, mainly comprising employee remuneration on the achievement of individual and corporate objectives;
- provisions for legal risks and charges, against litigation and trade union disputes in course, amount to Euro 105 thousand;
- other provisions for risks and charges of Euro 18,122 thousand (Euro 18,632 thousand at December 31, 2023), mainly referring to extraordinary charges for the future execution of programmes and for risks

related to the return-to-flight activities of Vega C, net of compensation expected from the European Space Agency, amounting to Euro 6,605 thousand (Euro 15,830 thousand at December 31, 2023); these provisions include, among others, charges for the restoration of leased areas, royalties provided for by Law 808/85 and a tax risks provision. As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

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

	31/12/2023	Provisions	Other movements	Utilisations	Releases	31/12/2024
Provision for variable remuneration	7,929	6,995	-	(6,012)	(1,111)	7,802
Provisions for risks and legal charges	105	-	-	-	-	105
Other provisions for risks and charges	18,632	15,908	496	(8,440)	(8,473)	18,122
Total	26,666	22,903	496	(14,452)	(9,584)	26,029

The main changes during the year were:

- the provisions for variable remuneration were utilised for Euro 6,012 thousand, in consideration of the bonuses paid to employees for the achievement of individual and company objectives. This account mainly concerned thousand the payment of ordinary annual result bonuses.
The provision of Euro 6,995 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.
- other provisions for risks and charges of Euro 18,122 thousand (Euro 18,632 thousand at December 31, 2023) include extraordinary charges for the future execution of programmes and risks related to the return-to-flight activities of Vega C, net of compensation expected from the European Space Agency, amounting to Euro 6,605 thousand (Euro 15,830 thousand at December 31, 2023). The utilisations mainly concern the charges arising in the year associated with Vega C's return to flight, net of the compensation expected from the European Space Agency, previously accrued to the provisions. Other movements refer to the increase in the restoration provision allocated in FY 2019 related to an area used for industrial purposes. Provisions and releases, with offsetting effect, reflect updates of estimates made in the previous year of the above extraordinary charges in relation to changes in the underlying rationales during the year. In this regard, see also the comments in the "Group operating performance and financial and equity position" section of the Directors' Report. As part of a tax audit relating to the years 2018 and 2019 that began in December 2024, a settlement procedure will be formalised with the Tax Agency which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

3.23. OTHER NON-CURRENT LIABILITIES

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

	31/12/2024	31/12/2023	Change
Non-current liabilities	15,212	74,755	(59,542)
Total	15,212	74,755	(59,542)

The breakdown of the account at December 31, 2024 is shown in the table below (Euro thousands):

	31/12/2024	31/12/2023	Change
<i>Tax liabilities</i>			
<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)
<i>Liabilities relating to Law 808/85</i>			
Deferred income on disbursements pursuant to Law 808/85 - beyond one year	12,928	14,248	(1,320)
Payables to MiSE for disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	1,320	1,320	-
Deferred income on disbursements pursuant to Law 808/85 (as per MiSE Decree 3/07/2015) - portion beyond one year	483	483	-
	14,731	16,051	(1,320)
Payables due to MiSE for other subsidies	389	392	(3)
Other payables and deferred income	92	92	-
Total	15,212	74,755	(59,542)

Tax liabilities

Payables to the Tax Authorities for registration, mortgage and land tax 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.

The item reports a decrease of Euro 58,220 thousand on the previous year. The decrease is due to the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for the Company of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand therefore no longer apply.

The item, which included until the previous year the amount of Euro 58,220 thousand, referred 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 was 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 was 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 in an order published on December 13, 2024 finally dismissed the appeal of the Tax Agency against the decision of the Piedmont Second Degree Tax Commission. The court, in fact, upheld the objection that the new wording of Article 20 of Presidential Decree No. 131 of April 26, 1986 retroactively introduced a prohibition against interpreting documents submitted for registration.

For further information, reference should be made to Note "3.8. Other non-current liabilities" and to the section "Legal and tax disputes and contingent liabilities" in the Explanatory Notes of the consolidated financial statements.

Liabilities relating to Law 808/85

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

The account, amounting to Euro 12,928 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, 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 (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 regarding the contribution received by Avio S.p.A. for Euro 1,320 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 shall be 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 the LOX/LCH technology demonstrator development project for the third stage of the VEGA E launcher; this disbursement falls under the regulations of the 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).

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 (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 389 thousand, consists of payables due beyond one year to the Ministry for Economic Development relating mainly 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 Program "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

3.24. CURRENT FINANCIAL LIABILITIES

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

	31/12/2024	31/12/2023	Change
Current financial liabilities	37,175	38,907	(1,732)
Total	37,175	38,907	(1,732)

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

	31/12/2024	31/12/2023	Change
Financial payables subsidiary Se.Co.Sv.Im. S.r.l.	31,432	32,477	(1,046)
Financial payables subsidiary Spacelab S.p.A.	5,743	6,429	(687)
Total	37,175	38,907	(1,732)

Payables to subsidiaries comprise the current account balances within the Group centralised treasury management undertaken by the company. These transactions are undertaken at normal market conditions. These transactions are undertaken at the following market conditions:

- lending rate: Euribor 1 M 365 (determined, month by month, with reference to the last working day of the previous month) -289 bps (should the ECB reference rates for deposits become negative during the reporting year, then the rate applied will be 0.00%);
- rate payable: Euribor 1 M 365 (determined, month by month, with reference to the last working day of the previous month) + 145 bps. If the Euribor rate is negative, it will be considered zero for the present purposes.

3.25. 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):

	31/12/2024	31/12/2023	Change
Current financial liabilities for leasing	7,811	10,036	(2,225)
Total	7,811	10,036	(2,225)

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

	31/12/2024	31/12/2023	Change
Current financial liabilities to subsidiary Se.Co.Sv.Im. as per IFRS 16	5,401	8,662	(3,261)
Current financial liabilities to the associate Termica Colleferro S.p.A. as per IFRS 16	116	135	(19)
Current financial liabilities to third parties as per IFRS 16	2,294	1,239	1,055
	7,811	10,036	(2,225)

Current financial liabilities to the subsidiary Se.Co.Sv.Im. regard the lease of the complex of land and industrial buildings for instrumental use, with networks and general plants.

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;
- to the lease of the office of the Paris Branch of Avio S.p.A.;
- the lease of company cars.

3.26. CURRENT PORTION OF NON-CURRENT FINANCIAL PAYABLES

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

	31/12/2024	31/12/2023	Change
Current portion of non-current financial payables	2,003	10,018	(8,015)
Total	2,003	10,018	(8,015)

The account, which amounted to Euro 2,003 thousand, consists of:

- the two instalments, each of Euro 1,000 thousand, relating to the loan of Euro 10,000 thousand, falling due on April 30, 2025 and October 31, 2025, respectively;
- interest expense on the above financial liabilities accrued at December 31, 2024 for Euro 3 thousand.

3.27. TRADE PAYABLES

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

	31/12/2024	31/12/2023	Change
Trade payables	130,963	132,204	(1,242)
Total	130,963	132,204	(1,242)

Details of payables to subsidiaries are shown below (in Euro thousands):

	31/12/2024	31/12/2023	Change
Regulus S.A.	25,230	21,557	(806)
Spacelab S.p.A.	473	530	(1,624)
Se.Co.Sv.Im. S.r.l.	-	1,500	(878)
Temis S.r.l.	-	203	(371)
Avio Guyane S.A.S.	2,425	2,163	(422)
Avio France S.A.S.	390	105	(28)
	28,519	26,058	(4,128)

Trade payables to the associated companies Termica Colleferro S.p.A. and Consorzio Servizi Acqua Potabile, the jointly controlled company Europropulsion S.A. and the non-consolidated subsidiary Servizi Colleferro S.C.p.A. are shown in the following table (Euro thousands):

	31/12/2024	31/12/2023	Change
Termica Colleferro S.p.A.	2,131	1,547	584
Europropulsion S.A.	609	558	51
Potable Water Services Consortium	-	(29)	29
Servizi Colleferro S.C.p.A.	4	165	(161)
Total	2,745	2,241	503

3.28. CURRENT TAX PAYABLES

The table below presents current tax liabilities at December 31, 2024 and December 31, 2023 (Euro thousands).

	31/12/2024	31/12/2023	Change
Current income tax payables	3,097	1,866	1,231
Total	3,097	1,866	1,231

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

	31/12/2024	31/12/2023	Change
IRES payables	256	256	-
IRAP payables	640	-	640
Payables for withholding taxes	2,188	1,609	579
Other tax payables	12	-	12
Total	3,097	1,866	1,231

IRES payables from tax consolidation amount to Euro 256 thousand, while IRAP payables total Euro 640 thousand. The tax consolidation agreement relates to the years 2024-2025-2026. The companies participating in the tax consolidation are the Parent Avio S.p.A. and the Italian subsidiaries Temis S.p.A., Spacelab S.p.A. and Se.Co.Sv.Im. S.r.l..

Payables for withholding taxes, amounting to Euro 2,188 thousand, refer to employee and consultant withholding taxes. This liability increased from the previous year as a result of the increase in the workforce.

3.29. OTHER CURRENT LIABILITIES

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

	31/12/2024	31/12/2023	Change
Other current liabilities	22,208	19,015	3,193
Total	22,208	19,015	3,193

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

	31/12/2024	31/12/2023	Change
Employee payables	9,129	7,986	1,144
Payables due to social security institutions	3,728	3,073	656
Deferred income on disbursements pursuant to Law 808/85 - current portion	1,320	1,320	-
Other accrued liabilities and deferred income	7,260	4,466	2,794
Other payables to third parties	510	328	182
Payables to subsidiaries	260	1,843	(1,583)
Total	22,208	19,015	3,193

Employee payables

Employee payables amount to Euro 9,129 thousand and include remuneration to be settled, in addition to vacations and other rights matured and not utilised. The increase of Euro 1,144 thousand is mainly related to the rise in employee numbers.

Amounts due to social security institutions

The account concerns amounts to be paid, amounting to Euro 3,728 thousand, 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 1,320 thousand (Euro 1,320 thousand at December 31, 2023), concerns the deferral of the contribution, with regards to the portion expected to be accrued as income to the income statement within the next 12 months.

Accrued expenses and deferred income

This account, amounting to Euro 7,260 thousand (Euro 4,466 thousand at December 31, 2023), mainly refers to the deferment of commercial costs and grants to the following year.

Payables to subsidiaries

This account, amounting to Euro 260 thousand (Euro 1,843 thousand at December 31, 2023), relates to payables to Temis S.r.l.. The decrease of Euro 1,583 thousand is related to the settlement of the position with Se.Co.Sv.Im S.r.l. from the previous year.

INCOME STATEMENT

3.30. REVENUES

Total revenues, comprising the change in contract work-in-progress and revenues from product sales and the provision of services, amounted to Euro 474,979 thousand for the current year. They amounted to Euro 339,813 thousand in 2023.

	FY 2024	FY 2023	Change
Net sales	307,634	30,482	277,152
Revenues from services	1,290	1,021	269
	308,924	31,503	277,421
Changes in contract work in progress	166,054	308,310	(142,256)
Total	474,979	339,813	135,166

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

In terms of the recognition of revenues, in order to present a breakdown and comparison of revenues in the clearest manner possible, it should be noted that in 2024 contracts totalling Euro 307,274 thousand were completed, the effects of which are shown under "Revenues from sales" for the proceeds from the related advances received and under "Changes in contract work in progress" for the closure of the contracts from work in progress.

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 to Euro 1,199 thousand in 2024, while in 2023 totalled Euro 1,335 thousand. 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". At present, the share of variable fees accounts for approximately 9% of revenues.

3.31. OTHER OPERATING REVENUES

The account in 2024 amounted to Euro 5,970 thousand, as follows:

	FY 2024	FY 2023	Change
Other income	1,701	2,434	(733)
Income from the release of provisions	682	5	677
Income for the portion recognised to the income statement of the disbursements as per Law 808/85	1,320	1,320	-
Other income and operating grants	2,172	1,529	642
Other prior year income	96	17	78
Total	5,970	5,305	665

This item consists of:

- other income of Euro 1,701 thousand, including recharges to companies in the Colleferro industrial district of Euro 1,134 thousand and other items of Euro 237 thousand.

- income for the portion recognised to the income statement of the disbursements as per Law 808/85 for Euro 1,320 thousand (Euro 1,320 thousand in the comparative year);
- Operating grants amounted to Euro 2,172 thousand (Euro 1,529 thousand in the comparative year) and referred to projects such as "Development of Sustainable Italian Carbon-phenolics for Aerospace Engine Nozzles - CARISMA", "ENLIGHTEN - European iNitiative for Low cost, Innovative & Green High Thrust Engine", "SALTO" and "DISCO".

3.32. CONSUMPTION OF RAW MATERIALS

The account, amounting to Euro 142,380 thousand, relates to costs for raw material purchases and changes in inventories, as shown below.

	FY 2024	FY 2023	Change
Purchase of raw materials	165,676	147,430	18,246
Change in inventories of raw materials	(23,296)	(36,987)	13,691
Total	142,380	110,443	31,937

3.33. SERVICE COSTS

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

	FY 2024	FY 2023	Change
Service costs	219,177	148,929	70,248
Use of third party assets	3,553	2,849	704
Total	222,730	151,778	70,952

Service costs, amounting to Euro 219,177 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.

This account includes the emoluments due to the corporate boards of the Company, concerning:

- directors' fees of Euro 558 thousand and specific committee fees of Euro 177 thousand;
- supervisory body fees of Euro 173 thousand;
- Board of Statutory Auditors' fees of Euro 175 thousand.

Service costs are shown net of the recognition of accrued tax receivables on certain types of costs amounting to Euro 597 thousand (Euro 1,394 thousand at December 31, 2023), as described in paragraph "3.14. Current tax receivables".

3.34. PERSONNEL EXPENSES

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

	FY 2024	FY 2023	Change
Wages and salaries	61,551	51,234	10,317
Social security charges	18,776	15,985	2,791
Provision for variable remuneration	8,518	7,330	1,188
Other long-term benefits - current employees	282	58	224
Actuarial (gains)/losses recorded in P&L relating to other long-term benefits	75	(307)	382
Provision for "Other defined benefit plans"	4,464	3,783	682
Total	93,667	78,083	15,584

3.35. AMORTISATION & DEPRECIATION

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

	FY 2024	FY 2023	Change
Intangible assets with definite life	9,225	8,218	1,006
Right-of-use	7,059	6,477	582
Property, plant and equipment	3,825	3,070	754
Total	20,109	17,766	2,343

With regard to amortisation of intangible assets with definite life, a comparison with the previous year follows (Euro thousands):

	FY 2024	FY 2023	Change
Develop. Costs	3,498	3,323	176
Assets from purchase price allocation	2,986	2,986	-
Concessions, licenses, trademarks and similar rights	1,707	1,123	584
Other intangible assets	1,034	787	247
Total	9,225	8,218	1,006

The amortisation of development costs, amounting to Euro 3,498 thousand, is substantially in line with that recognised in 2023.

Euro 2,986 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 2023).

The increase in the amortisation of "Concessions, licenses, trademarks and similar rights" reflects the trend of investments made during the year.

A comparative statement of the depreciation of property, plant and equipment is presented below (in Euro thousands):

	FY 2024	FY 2023	Change
Buildings	947	853	95
Plant & machinery	1,568	1,115	453
Industrial & commercial equipment	150	151	(1)
Other assets	1,159	952	207
	3,825	3,070	754

With reference to plant and machinery, the increase relates to the auxiliary equipment required for the increased flight cadence of Vega C.

In addition, the statement comparing the depreciation of the right-of-use compared to the previous year is presented below (in Euro thousands):

	FY 2024	FY 2023	Change
Land right-of-use	146	143	3
Buildings right-of-use	5,520	5,240	279
Right-of-use rights related to plant and machinery	166	173	(7)
Other assets right-of-use	1,227	921	306
	7,059	6,477	582

The net increase in this item of Euro 582 thousand is mainly related to the depreciation of the right-of-use related to the Company's Branch office, located in Paris, which began in October 2024, and the depreciation of the Group's administrative office, located in Colleferro, which in the comparative year was reflected in the second half of the year only as beginning on July 1, 2023.

3.36. OTHER OPERATING COSTS

This account amounts to Euro 3,772 thousand (Euro 3,514 thousand in 2023) and mainly comprises the following items:

- indirect taxes of Euro 639 thousand (Euro 668 thousand in 2023);
- provisions for contingent liabilities of Euro 943 thousand mainly related to royalties established under Law 808/85;
- prior year charges of Euro 166 thousand (Euro 68 thousand in 2023);
- other operating and extraordinary charges of Euro 2,025 thousand (Euro 2,002 thousand in 2023).

3.37. COSTS CAPITALISED FOR INTERNAL WORKS

The account relating to costs capitalised for internally constructed assets, amounting to Euro 5,916 thousand (Euro 8,132 thousand in 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 details are as follows:

- costs for the construction of internal intangible fixed assets for Euro 5,176 thousand (Euro 7,705 thousand in 2023);
- costs for the internal production of tangible fixed assets for Euro 739 thousand (Euro 427 thousand in 2023).

3.38. FINANCIAL INCOME

The breakdown of financial income of Euro 693 thousand (Euro 2,512 thousand in 2023) is presented below:

	FY 2024	FY 2023	Change
Bank interest income	428	1,794	(1,367)
Interest income on VAT refunds	-	5	(5)
Financial income from amortised cost	2	-	2
Interest from subsidiaries	100	110	(9)
	530	1,909	(1,380)
Realised exchange gains	157	549	(392)
Unrealised exchange gains	6	54	(47)
	163	602	(439)
Total	693	2,512	(1,819)

Financial income consists mainly of interest income on current accounts, which were also subject restricted during the year to benefit from the higher rates recognised.

Realised exchange gains concern the collection of receivables and the settlement of payables in foreign currencies, while unrealised exchange gains concern the adjustment to the period-end exchange rate of receivables and payables in foreign currencies.

3.39. FINANCIAL CHARGES

The breakdown of financial charges of Euro 2,856 thousand (Euro 2,581 thousand at December 31, 2023) is presented below:

	31/12/2024	31/12/2023	Change
Interest on EIB loans	71	161	(90)
Interest expense to subsidiaries non-leasing	50	33	17
Interest on other payables	1,264	1	1,263
Interest expense on treasury accounts with subsidiaries	291	1,229	(938)
Discounting on employee benefits	265	206	59
Financial charges from amortised cost to subsidiaries	374	274	100
Financial charges from amortised cost to associates	10	309	(299)
Financial charges from amortised cost to third parties	-	-	-
	2,324	2,213	111
Realised exchange losses	467	307	161
Unrealised exchange losses	65	62	4
	532	368	164
Total	2,856	2,580	276

The increase in financial charges of Euro 276 thousand is mainly due to: (i) the recognition of interest charges concerning settlement procedure which will be formalised with the Tax Agency as part of the tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the company to recognise deferred tax assets for a corresponding amount, partially offset by (ii) lower interest on the centralised treasury accounts with the subsidiaries Se.Co.Sv.Im. and Spacelab as a result of the decrease in market rates.

Financial charges from amortized cost relates to liabilities from subsidiaries, associates and third parties for leases accounted for as liabilities at present value in accordance with IFRS 16.

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.

3.40. INVESTMENT INCOME/(CHARGES)

This item concerns income of Euro 2,200 thousand related to dividends received from the jointly-controlled company Europropulsion S.A.. In the year 2023, income of Euro 3,000 thousand was however received, also relating to this company.

3.41. INCOME TAXES

"Income taxes" was net tax income of Euro 897 thousand (income of Euro 548 thousand in 2023), as follows:

- consolidation income from the transfer of the negative IRES taxable base under the domestic tax consolidation for Euro 349 thousand;
- current IRAP charge of Euro 640 thousand;
- charges for prior year taxes of Euro 5,983 thousand;
- income from deferred tax assets of Euro 7,171 thousand

Taxes for previous years and deferred tax recognition income relate to the settlement procedure which will be formalised with the Tax Agency following a tax audit relating to the years 2018 and 2019 that began in December 2024, which will result in the payment of higher taxes amounting to approx. Euro 6.0 million, plus interest, in relation to the non-suspension of the deductibility of some amortisation of goodwill dating back to the year 2003, with subsequent recovery as a deduction of the same in the years 2020 to 2029, allowing the recognition of deferred tax assets for a corresponding amount.

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

	FY 2024	FY 2023
Net Profit	7,095	5,161
Ordinary rate applied	24.00%	24.00%
Theoretical tax charge	1,703	1,239
Effect of increases (decreases) to the ordinary rate:		
Permanent increases	6,304	6,969
Permanent decreases	(5,969)	(6,303)
Temporary difference increases	20,876	21,394
Temporary difference decreases	(31,132)	(42,514)
Total changes	(9,922)	(20,454)
Utilisation prior year tax losses		
(Tax loss)/Assessable income	(2,827)	(15,294)
Theoretical IRES taxation	-	
Net deferred tax (income)/charge	(7,171)	
Current taxes from previous years and consolidation	6,274	(548)
	(897)	(548)

3.42. EARNINGS/(LOSS) PER SHARE

An explanatory statement is reported below (in Euro):

	FY 2024	FY 2023
Net Profit	7,991,577	5,708,107
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	0.32	0.23
Diluted earnings per Share (in Euro) ⁽¹⁾	0.31	0.22

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

4. COMMITMENTS AND RISKS

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

	31/12/2024	31/12/2023
Guarantees given:		
Unsecured guarantees:		
Sureties issued to third parties on behalf of Avio	32,783	41,571
Other guarantees	3,402	3,402
Total guarantees given	36,185	44,973
Sureties and guarantees received	1,206	1,206
	1,206	1,206

Guarantees provided

Secured guarantees include sureties issued by third parties on behalf of the Company 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.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Categories and fair value of financial assets and liabilities

The following table presents a detailed analysis of financial assets and liabilities at December 31, 2024, as per IFRS 7, according to the categories established by IFRS 9.

In thousands of Euro

	Total accounts	IFRS 9 Category		
		<i>Assets at amortised cost</i>	<i>Assets at fair value through profit or loss</i>	<i>Liabilities at amortised cost</i>
FINANCIAL ASSETS				
- Investments in other companies	4,749		4,749	
- Non-current financial assets	2,159	2,159		
- Other non-current assets	4,222	4,222		
- Trade receivables	3,786	3,786		
- Other current assets	4,383	4,383		
- Cash and cash equivalents	94,993	94,993		
- Current financial assets	1,666	1,666		
	115,957	111,208	4,749	-
FINANCIAL LIABILITIES				
- Non-Current financial liabilities	-			-
- Non-current financial payables for leasing	19,251			19,251
- Current financial liabilities	37,175			37,175
- Current lease liabilities	7,811			7,811
- Current portion of non-current financial payables	2,003			2,003
- Other non-current liabilities	15,212			15,212
- Other current liabilities	22,208			22,208
- Trade payables	130,963			130,963
	234,622	-	-	234,622

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 December 31, 2024.

Financial income and expenses recorded as per IFRS 9

The following table presents the financial income and charges generated by financial assets and liabilities, broken down by category as per IFRS 9 for 2024.

In Euro thousands	Financial income/(charges) recognised through profit or loss		Actuarial gains/(losses) recognised to comprehensive income statement
	From interest	From fair value changes	From fair value changes
Assets at amortised cost		-	-
Assets at fair value			
Through Profit or loss			
Statement			
Liabilities at amortised cost	454	-	-
Financial instruments - Derivatives	-	-	-
Total categories	454	-	-

The items presented in the table mainly concern financial charges for the EIB loans and those related to financial liabilities as per IFRS 16.

Types of financial risks and related hedging

The Company 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).

This section provides qualitative and quantitative disclosure upon the impact of these risks on the Company and on the Group.

The following quantitative data cannot be used for forecasting purposes or completely reflect the complexity and the related market reactions which can derive from any change in assumptions.

Credit Risk

Company credit risk represents the exposure to potential losses deriving from the non-compliance with obligations by 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 Company at December 31, 2024 essentially concerned the overall carrying amount of trade receivables, whose value at this date amounted to Euro 3,786 thousand.

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 clients, 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 Company 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 December 31, 2024 these are recorded net of a doubtful debt provision of Euro 83 thousand. The overdue amounts were therefore not significant and entirely relate to timing factors.

For trade receivables, each financial year, an individual assessment of risk is carried out and a specific doubtful debt provision accrued, which takes account of an estimate of recoverable amounts and any disputes in progress and possible maturity extensions.

Liquidity risk

The Company'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.

Liquidity analysis

As the Company is part of a group whose activities are closely integrated, please refer to same paragraph of the consolidated financial statements.

Market risk

With regards to the current financial structure of the Company and the fact that the operating currency is almost exclusively the Euro, it is deemed that significant market risks from fluctuations in exchange rates or interest rates on financial receivables and payables do not exist.

The company, considering that stated with regards to the insignificant market risk related to exchange rate and interest rate movements, at December 31, 2024 had not undertaken specific cash flow hedges in relation to these types of risks.

Interest rate risk

The company has a loan with the European Investment Bank (EIB) for a residual total of Euro 2 million, at a competitive fixed interest rate compared to the market.

Therefore, this risk is not considered applicable to the company and, therefore, to the Company.

6. 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 company Avio S.p.A. 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, 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 report the related party transactions of Avio S.p.A., with balance sheet effects (in thousands of Euro):

December 31, 2024												
Counterparty	Right-of-use assets	Other non-current assets	Inventories and Advances to Suppliers	Trade receivables	Other current assets	Current financial assets	Contract work-in-progress	Non-current financial assets	Trade payables	Other current liabilities	Advances for contract work in progress	Financial liabilities
Leonardo S.p.A.			630						2,843	105		
MBDA Italia S.p.A.				46			3,026				42,813	
MBDA France S.A.				135			11,839				31,224	
Thales Alenia							0					
Space Italia S.p.A.							0					
Vitrociset S.p.A.							0					
Companies with a connecting relationship and relative investee companies	0	0	630	182	0	0	14,865	0	2,843	105	74,037	0
Spacelab S.p.A.				34	419				473	20		5,743
Regulus S.A.			1,000	635					25,230		384	
SE.CO.SV.IM. S.r.l.	17,169	150		181	580					88		50,788
Temis S.r.l.					35					260	1,106	
Avio USA Inc.				1,197								
Avio Guyane S.A.S.				225		1,590			2,425			
Avio France S.A.S.				162		76		149	390			
Subsidiaries	17,169	150	1,000	2,434	1,033	1,666	0	149	28,519	368	1,490	56,531
Termica Colleferro S.p.A.	701		-	421				2,010	2,131			673
Europropulsion S.A.			51,711	16			10,254		609		24,449	
Potable Water Services Consortium				40	5							
Servizi Colleferro - Consortium Limited Liability Company				36					4			
Associates and jointly controlled companies	701	0	51,711	513	5	0	10,254	2,010	2,745	0	24,449	673
Total related parties	17,871	150	53,341	3,129	1,039	1,666	25,119	2,159	34,106	473	99,976	57,204
Total book value	26,754	4,222	310,635	3,786	4,383	1,666	156,000	2,159	130,963	22,208	556,948	66,239
% on total account items	66.80%	3.55%	17.17%	82.65%	23.69%	100.00%	16.10%	100.00%	26.04%	2.13%	17.95%	86.36%

In 2024, the main income statement transactions by the Company with related parties were as follows (in Euro thousands):

Counterparty	December 31, 2024					
	Operating Revenues and changes in contract work-in-progress ⁽¹⁾	Other operating revenue	Other Costs ⁽²⁾	Financial Income	Other investment income/(charges)	Financial Charges
Leonardo S.p.A.			4,795			
MBDA Italia S.p.A.	7,623					
MBDA France S.A.	51,320					
Thales Alenia Space Italia S.p.A.	(40)		1,797			
Vitrociset S.p.A.	0					
Companies with a connecting relationship and relative investee companies	58,903	0	6,592	0	0	0
Spacelab S.p.A.		60	1,521			46
Regulus S.A.	542		21,795			
SE.CO.SV.IM. S.r.l.	149	345	(214)			619
Temis S.r.l.			3,695			
Avio USA Inc.			15			
Avio Guyane S.A.S.		70	4,332	100		
Avio France S.A.S.		132	1,055	2		
Subsidiaries	691	607	32,200	102	0	665
Termica Colleferro S.p.A.		98	8,685			10
Europropulsion S.A.	66,266	229	48,065		2,200	
Potable Water Services Consortium		27	221			
Servizi Colleferro - Consortium Limited Liability Company		27	545			
Associates and jointly controlled companies	66,266	380	57,516	0	2,200	10
Total related parties	125,860	987	96,308	102	2,200	674
Total book value	474,979	5,970	458,777	693	2,200	2,856
% on total account items	26.50%	16.54%	20.99%	14.70%	100.00%	23.61%

⁽¹⁾ The account includes revenues from sales and services and does not include the advancement of work from contract work-in-progress not yet concluded.

⁽²⁾ The account includes raw material consumables, service costs and personnel expenses.

Transactions with companies with a connecting relationship and relative investee companies

The transactions with Leonardo S.p.A., considered a company with whom a connecting relationship exists, concern assistance and consultancy services. Transactions with investee companies by Leonardo are typically 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 for the Camm-er orders. Their release is based on completion of the relative contractual milestones.

Transactions with non-consolidated subsidiaries

Group transactions with non-consolidated subsidiaries concern ordinary operating activities and are concluded at normal market conditions.

Transactions with associates and jointly-controlled companies

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 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 intercompany 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.

The bank guarantees to the Sitab Consortium in liquidation concern supplies in previous years and, together with the Consortium, are expected to be withdrawn shortly.

Transactions with subsidiaries

These transactions regarded centralised services provided by the Parent Avio, real estate leases by the subsidiary Secosvim, and services provided by the subsidiary Spacelab for Avio. During 2021, a price adjustment was defined for the acquisition of the Spacelab launcher business unit by Avio.

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.

7. REGIONAL DISCLOSURE

As indicated previously, with reference to the assets and liabilities by regional location (based on the location of the counterparty), we report that all the receivables and payables at the reporting date are with counterparties located in Italy and Europe.

8. DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

In accordance with Article 149 *duodecies* of the Consob Issuer's Regulation, we report below the information concerning fees paid in 2024 for audit and other services by the audit firm Deloitte & Touche S.p.A. and its network (in Euro thousands):

Type of service	Company	Service provider	Fees
Audit Services	Parent Company - Avio S.p.A.	Deloitte & Touche S.p.A.	275
Other services ⁽¹⁾	Parent Company - Avio S.p.A.	Deloitte & Touche S.p.A.	234
Total	Total		509

- (1) The amount refers to (i) the limited audit of the Avio Group's Sustainability Statement in the amount of Euro 95 thousand; (ii) for the remainder to GAP Analysis activities for the new CSRD

10. SUBSEQUENT EVENTS

Business

ESA Zero Debris Charter with BULL Co., Ltd.

Avio recently signed the ESA Zero Debris Charter and is fully committed to compliance thereto. All components of the Vega C launcher are systematically de-orbited following launch, including the AVUM+ last stage, which performs an atmospheric re-entry manoeuvre to clear orbit following satellite deployment.

We consider in this regard the recent signing of a Memorandum of Understanding (MOU) with BULL Co., Ltd., a Japanese start-up developing a space debris prevention device, to study the application of an innovative space debris prevention device aboard the Vega C rocket. The collaboration with BULL will further improve Vega C's respect for the orbital environment.¹¹⁰

First bi-propellant ignition tests successfully carried out¹¹¹

In February 2025, the first ignitions in bipropellant mode of the first prototype of the MPGE, Multi Purpose Green Engine, were successfully carried out on a test stand - also built as part of the project - at Avio's facilities. The engine ignited correctly, achieved the expected steady-state thermal conditions and chamber pressure, demonstrated better-than-expected combustion efficiency, and performed a correct and stable ignition and shutdown sequence. In addition, good accuracy of the regenerative cooling model was demonstrated.

The MPGE, Multi Purpose Green Engine, is a green engine that uses hydrogen peroxide and kerosene as propellants completely designed, manufactured, assembled and tested in Italy. The project, developed under the National Recovery and Resilience Plan, is executed by Avio and coordinated by the ASI (Italian Space Agency), with contributions from SMEs, universities and startups.

Success for Ariane 6 flight VA263¹¹²

On March 6, 2025, the Ariane 6 launcher successfully completed flight VA263 from the Guiana Space Centre, putting the CSO-3 satellite into orbit for the French Armed Forces. Avio is partner of the 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 engines provided more than 80% of take-off thrust, ensuring optimal performance. Avio will continue to supply these boosters, which will be used in a two or four-unit configuration depending on the payload to be carried to orbit.

Avio is also developing a more powerful version of the booster, called the P160, which will increase the launcher's thrust and payload capacity. The P160 will be the world's largest carbon fibre monolithic engine and will also be used by the Vega C.

Update with reference to Avio's progressive assumption of the Launch Service Operator (LSO) and Launch Service Provider (LSP) functions of Vega C

With reference to what is reported in the section "Group principal risks and uncertainties" of the Directors' Report, at present most of the customers who have signed contracts with ArianeEspace for Vega C launch services have expressed their consent to the transfer of these contracts to Avio; the formalities associated with the transfer process are being finalised with an expectation of completion in the first half of 2025.

¹¹⁰ See also the January 15, 2024 press release at the link: <https://www.avio.com/it/comunicati-stampa/prevenzione-dei-detriti-spaziali-con-nuovo-dispositivo-su-vega-c>

¹¹¹ See also the February 24, 2025 press release at the link: <https://www.avio.com/it/comunicati-stampa/motore-mpge-effettuati-con-successo-primi-test-di-accensione-bi-propellente>

¹¹² See press release of March 6, 2025 at the link: <https://www.avio.com/it/comunicati-stampa/successo-volo-va263-dellariane-6>

11. PROPOSAL FOR THE ALLOCATION OF THE RESULT OF AVIO S.p.A.

In inviting you to approve the 2024 Annual Accounts of Avio S.p.A., drawn up as per IFRS and reporting a net profit of Euro 7,992 thousand, we propose the allocation of this result to dividend for Euro 3,750 thousand.

* * *

March 13, 2025

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

Statement on the separate and consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 as amended

1. The undersigned Giulio Ranzo and Alessandro Agosti, respectively CEO and Executive Officer for Financial Reporting of Avio S.p.A. declare, as per 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 compilation of the individual and consolidated financial statements financial statements in the period from January 1 to December 31, 2024.

2. The following significant aspects arose.

- an assessment was undertaken of the internal control system;
- 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 individual and consolidated financial statements:

a) were drawn up in compliance with the applicable international accounting standards recognised by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the Council of July 19, 2002;

b) correspond to the underlying accounting documents and records;

c) provide a true and fair view of the financial position, financial performance and cash flow of the Issuer and of the other companies in the consolidation scope.

3.2 The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

March 13, 2025

Giulio Ranzo

Alessandro Agosti

(Chief Executive Officer)

(Executive Officer for Financial Reporting)

Declaration of the sustainability statement as per article 81-ter, paragraph 1 of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements

The undersigned Giulio Ranzo and Alessandro Agosti, respectively CEO and Executive Officer for Financial Reporting of Avio S.p.A. declare, pursuant to Article 154-bis, paragraph 5-ter, of Legislative Decree No. 58 of February 24, 1998, that the sustainability statement included in the Directors' Report has been prepared:

- in accordance with the reporting standards applied pursuant to Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013, and Legislative Decree No. 125 of September 6, 2024;
- with the specifications adopted under Article 8(4) of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020.

March 13, 2025

Giulio Ranzo

Alessandro Agosti

(Chief Executive Officer)

(Executive Officer for Financial Reporting)

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Avio S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Avio S.p.A. and its subsidiaries (hereinafter “Avio Group” or “Group”), which comprise the consolidated balance sheet as of December 31, 2024, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated equity and consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Avio S.p.A. (the “Company”) in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Measurement of contract work-in-progress

Description of the key audit matter

The consolidated financial statements for the year ended December 31, 2024 include assets related to the execution of contract work-in-progress of Euro 155 million (Euro 123.5 million at December 31, 2023), liabilities for the related advances of Euro 555.6 million (Euro 452.8 million at December 31, 2023), other provisions for risks and charges of Euro 6.6 million at December 31, 2024 (Euro 15.8 million at December 31, 2023) and revenues of Euro 480.4 million at December 2024 (Euro 343.7 million at December 31, 2023).

Contract work-in-progress is attributable to development and production activities of the Group, whose revenues and related margins are recognized in the consolidated income statement according to the progress of the contract using the percentage-of-completion method determined on the basis of costs incurred over total estimated costs for the entire work.

Revenues, in addition to the consideration set forth in the contract, may also include additional payments such as, but not limited to, additional payments for additional activities incurred and/or to be incurred for change to works or events not foreseeable at the date of signature of the original contract, or for additional costs incurred and/or to be incurred that are not foreseeable by the parties at the date of signature of the original contract.

The evaluation method of that contract work-in-progress and the revenue recognition are based on complex assumptions which by nature involve the use of management judgment, in particular with reference to additional payments and the forecast of costs of completion, including the estimate of contractual risks.

In view of the significance of contract work-in-progress with respect to the Group overall business profile and the complexity of the assumptions used for additional payments and for forecasting the costs to complete the related contracts, we consider that this topic represents a key audit matter of the consolidated financial statements as of December 31, 2024.

The information on the financial statements relating to this matter is provided in the explanatory notes to the consolidated financial statements and in particular in explanatory note 2.7 “Accounting standards and basis of preparation”, explanatory note 2.9 “Use of estimates”, explanatory note 3.11 “Contract work-in-progress”, explanatory note 3.24 “Provision for risk and charges” and explanatory note 3.32 “Revenues”.

Audit procedures performed

As part of our audit we have, among other, carried out the following procedures:

- understanding of the criteria for the valuation of the contract work-in-progress and the revenue recognition criteria (both related to the contractual payments and additional payments);
- understanding of the relevant controls put in place by the management on the process of evaluation of the contract work-in-progress and test of the operating effectiveness;
- analysis, on a sample basis, of the new contracts signed, clauses of contractual amendment and evidence related to variable considerations, if any;
- reconciliation of costs resulting from the management accounts to the general ledger and sample basis analysis thereon as of December 31, 2024;
- analysis of the significant assumptions related to the estimate of costs of completion, including foreseeable contractual risks, as well as subsequent events beyond the end of the financial year;
- analysis of contract reports and interviews with project managers with particular reference to a sample of contractual variations incurred during the period and impact on costs of completion, including any foreseeable losses;
- examination of the accuracy of the calculation of the percentage of completion and of the revenue recognition;
- comparative analysis of the main changes in contracts net results with respect to the previous year;
- examination of projects with negative margin as of 31 December 2024 and the consequent recognition in provisions for risks and charges;
- review of the disclosure provided by the Group and its compliance with the relevant accounting principles.

Recoverability of goodwill
Description of the key audit matter

The consolidated efinancial statements for the year ended 31 December 2024 include a goodwill accounted for the allocation of the 2017 purchase price of Space2 S.p.A., amounting to Euro 61 million and the goodwill accounted following the allocation of the 2022 purchase price of Temis S.r.l., amounting to Euro 1.8 million. This goodwill is allocated to the only CGU of the Group corresponding to the Space sector ("Space CGU").

The recoverability of goodwill is tested at least once a year, even in the absence of impairment indicators based on IAS 36 "Impairment of assets".

The recoverability of the values is measured by comparing the Space CGU net invested capital (carrying amount) with the relative recoverable amount, determined by management according to the value in use as the present value of the operating cash flows deriving from the 2024-2028 plan, approved by the Board of Directors on September 11, 2024, and from the terminal value.

This methodology requires the use of forecasts of market aerospace sector scenarios which are subject to a physiological degree of uncertainty also in view of the current international macroeconomic environment, the possible economic and financial effects on the levels of expenditure allocated by national governments and international institutions to the access to the space, and the potential future developments of the European governance of launchers referred to in the determinations of the ESA Council of November 6, 2023 and of July 5, 2024.

Taking into account the subjectivity of the estimates relating to the cash flows considered and the key assumptions of the impairment test model, we considered goodwill recoverability to be a key audit matter of consolidated financial statements as of December 31, 2024.

The explanatory notes to the consolidated financial statements describe the management evaluation process, in particular in the explanatory note 2.9 "Use of estimates" and explanatory note 3.5 "Goodwill" where the significant assumptions and information related to the impairment test are reported.

Audit procedures performed

As part of our audit, we have, among others, carried out the following procedures:

- understanding of the process adopted by the Group in carrying out the impairment test and identifying of the main controls carried out on the impairment test;
- verification of the consistency of the methodological approach adopted by the Group with IAS 36 Impairment of Assets, with particular reference to the identification of the CGU and the determination of its recoverable amount;
- analysis of reasonableness of the main assumptions adopted for the CGU cash flows forecasts, the discount rates (WACC) and the growth rates (g-rates) applied in the test, also taking into account the uncertainties linked to the current macroeconomic environment, by obtaining information from the management and analysing the relevant sources;
- analysis of the report prepared by the independent expert appointed by the management, also with the support of our experts of the Network also evaluating their skills, capacity and objectivity;

- examination of the sensitivity analysis prepared by the management supported by of the independent expert appointed by the same;
- review of the disclosure and its compliance with IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 , and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Avio S.p.A. has appointed us on June 15, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Avio S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as of December 31, 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as of December 31, 2024 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter) of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Avio S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Avio Group as of December 31, 2024, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements;
- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;

- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Avio Group as of December 31, 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98] are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, Italy
March 31, 2025

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.

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Avio S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Avio S.p.A. (the “Company”), which comprise the balance sheet as of December 31, 2024, and the income statement, comprehensive income statement, statement of changes in equity and cash flows statement for the year then ended, and explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of contract work-in-progress

Description of the key audit matter

The financial statements for the year ended December 31, 2024 include assets related to the execution of contract work-in-progress of Euro 156 million (Euro 122.8 million at December 31, 2023), liabilities for the related advances of Euro 556.9 million (Euro 452.8 million at December 31, 2023), other provisions for risks and charges of Euro 6.6 million at December 31, 2024 (Euro 15.8 million at December 31, 2023) and revenues of Euro 475 million at December 2023 (Euro 339.8 million at December 31, 2023).

Contract work-in-progress is attributable to development and production activities of the Company, whose revenues and related margins are recognized in the income statement according to the progress of the contracts using the percentage-of-completion method determined on the basis of costs incurred over total estimated costs for the entire work.

Revenues, in addition to the consideration set forth in the contract, may also include additional payments such as, but not limited to, additional payments for additional activities incurred and/or to be incurred for change to works or events not foreseeable at the date of signature of the original contract, or for additional costs incurred and/or to be incurred that are not foreseeable by the parties at the date of signature of the original contract.

The evaluation method of that contract work-in-progress and the revenue recognition are based on complex assumptions which by nature involve the use of management judgment, in particular with reference to additional payments and the forecast of costs of completion, including the estimate of contractual risks.

In view of the significance of contract work-in-progress with respect to the Company overall business profile and the complexity of the assumptions used for additional payments and for forecasting the costs to complete the related contracts, we consider that this topic represents a key audit matter of the Financial Statements as of December 31, 2024.

The information on the financial statements relating to this matter is provided in the explanatory notes to the consolidated financial statements and in particular in explanatory note 2.7 “Accounting standards and basis of preparation”, explanatory note 2.9 “Use of estimates”, explanatory note 3.10 “Contract work-in-progress”, explanatory note 3.22 “Provision for risk and charges” and explanatory note 3.30 “Revenues”.

Audit procedures performed

As part of our audit we have, among other, carried out the following procedures:

- understanding of the criteria for the valuation of the contract work-in-progress and the revenue recognition criteria (both related to the contractual payments and additional payments);
- understanding of the relevant controls put in place by the management on the process of evaluation of the contract work-in-progress and test of the operating effectiveness;
- analysis, on a sample basis, of the new contracts signed, clauses of contractual amendment and evidence related to variable considerations, if any;
- reconciliation of costs resulting from the management accounts to the general ledger and sample basis analysis thereon as of December 31, 2024;
- analysis of the significant assumptions related to the estimate of costs of completion, including foreseeable contractual risks, as well as subsequent events beyond the end of the financial year;
- analysis of contract reports and interviews with project managers with particular reference to a sample of contractual variations incurred during the period and impact on costs of completion, including any foreseeable losses;
- examination of the accuracy of the calculation of the percentage of completion and of the revenue recognition;
- comparative analysis of the main changes in contracts net results with respect to the previous year;
- examination of projects with negative margin as of 31 December 2024 and the consequent recognition in provisions for risks and charges;
- review of the disclosure provided by the Company and its compliance with the relevant accounting principles.

Recoverability of goodwill
Description of the key audit matter

The financial statements for the year ended 31 December 2024 include a goodwill accounted for the allocation of the 2017 purchase price of Space2 S.p.A., amounting to Euro 61 million. This goodwill is allocated to the only CGU of the Company corresponding to the Space sector ("CGU Space").

The recoverability of goodwill is tested at least once a year, even in the absence of impairment indicators based on IAS 36 "Impairment of assets".

The recoverability of the values is measured by comparing the Space CGU net invested capital (carrying amount) with the relative recoverable amount, determined by management according to the value in use as the present value of the operating cash flows deriving from the 2024-2028 plan, approved by the Board of Directors on September 11, 2024, and from the terminal value.

This methodology requires the use of forecasts of market aerospace sector scenarios which are subject to a physiological degree of uncertainty also in view of the current international macroeconomic environment, the possible economic and financial effects on the levels of expenditure allocated by national governments and international institutions to the access to the space, and the potential future developments of the European governance of launchers referred to in the determinations of the ESA Council of November 6, 2023 and of 5 July 5, 2024.

Taking into account the subjectivity of the estimates relating to the cash flows considered and the key assumptions of the impairment test model, we considered goodwill recoverability to be a key audit matter of financial statements as of December 31, 2024.

The explanatory notes to the financial statements describe the management evaluation process, in particular in the explanatory note 2.9 “Use of estimates” and explanatory note 3.5 “Goodwill” where the significant assumptions and information related to the impairment test are reported.

Audit procedures performed

As part of our audit, we have, among others, carried out the following procedures:

- understanding of the process adopted by the Company in carrying out the impairment test and identifying of the main controls carried out on the impairment test;
- verification of the consistency of the methodological approach adopted by the Company with IAS 36 Impairment of Assets, with particular reference to the identification of the CGU and the determination of its recoverable amount;
- analysis of reasonableness, of the main assumptions adopted for the CGU cash flows forecasts, the discount rates (WACC) and the growth rates (g-rates) applied in the test, also taking into account the uncertainties linked to the current macroeconomic environment, by obtaining information from the management and analysing the relevant sources;
- analysis of the report prepared by the independent expert appointed by the management, also with the support of our experts of the Network also evaluating their skills, capacity and objectivity;

- examination of the sensitivity analysis prepared by the management supported by of the independent expert appointed by the same;
- review of the disclosure and its compliance with IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Avio S.p.A. has appointed us on June 15, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Avio S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements as of December 31, 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as of December 31, 2024, have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinions and statement pursuant to art. 14, paragraph 2, sub-paragraphs e), e-bis) and e-ter), of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Avio S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Avio S.p.A. as of December 31, 2024, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements;
- express an opinion on the compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;
- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Avio S.p.A. as of December 31, 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, Italy,
March 31, 2025

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.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT

**INDEPENDENT AUDITOR'S
REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT
PURSUANT TO ARTICLE 14-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
Avio S.p.A.**

Conclusion

Pursuant to artt. 8 and 18, paragraph 1 - of Legislative Decree no. 125 of September 6, 2024 (hereinafter also the “Decree”), we have carried out a limited assurance engagement on the consolidated sustainability statement of the Avio Group (hereinafter also the “Group”) for the year ended on December 31, 2024, prepared pursuant to Art. 4 of the Decree, included in the specific section of the management report.

Based on the work performed, nothing has come to our attention that causes us to believe that:

- the consolidated sustainability statement of the Avio Group for the year ended on December 31, 2024 is not prepared, in all material respects, in accordance with the reporting principles adopted by the European Commission pursuant to the Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also “ESRS”);
- the information included in the paragraph “2.1 EU Taxonomy” of the consolidated sustainability statement is not prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of June 18, 2020 (hereinafter also the “Taxonomy Regulation”).

Basis for conclusion

We conducted the limited assurance engagement in accordance with the assurance standard of the sustainability report - “Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia)”. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement. Our responsibilities pursuant to that standard are further described in the paragraph *Auditor’s responsibilities for the limited assurance of the consolidated sustainability statement* of this report.

We are independent in accordance with the independence and other ethical requirements applicable under Italian law to the limited assurance engagement of the consolidated sustainability statement.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Our firm applies International Standard on Quality Management (ISQM Italia) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

The comparative information for the year ending 31 December 2024 presented in the consolidated sustainability statement in the paragraph “*ANNEXES - AVIO GROUP KEY PERFORMANCE INDICATOR (KPI) MODELS*” has not been verified.

Responsibility of the Directors and the Board of Statutory Auditors of Avio S.p.A. for the consolidated sustainability statement

The Directors are responsible for developing and implementing the procedures performed to identify the information reported in the consolidated sustainability statement in accordance with the ESRS (hereinafter the “double materiality assessment process”) and for disclosing this process in “*IRO-1*” paragraph – *Description of the processes to identify and assesses material climate-related impacts, risks and opportunities* of the consolidated sustainability statement. The Directors are also responsible for the preparation of the consolidated sustainability statement, which includes the information identified as part of the double materiality assessment process, in accordance with the requirements of Art. 4 of the Decree, including:

- compliance with ESRS
- compliance of the information included in the paragraph 2.1 UE Taxonomy with art. 8 of the Taxonomy Regulation.

Such responsibility involves designing, implementing and maintaining, within the terms established by the law, such internal control that the Directors determine necessary to enable the preparation of the consolidated sustainability statement in accordance with the requirements of the art. 4 of the Decree that is free from material misstatements, whether due to fraud or error. Furthermore, the abovementioned responsibility involves the selection and application of appropriate methods in elaborating information and making assumptions and estimates about specific sustainability information that are reasonable in the circumstances.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Inherent limitations in the preparation of the consolidated sustainability statement

The information provided by the Group regarding Scope 3 emissions is subject to greater inherent limitations compared to those related to Scope 1 and 2 emissions. This is due to the lower availability and relative accuracy of the data used to define the information on Scope 3 emissions, both quantitative and qualitative, in relation to the value chain.

Auditor's responsibilities for the limited assurance of the consolidated sustainability statement

Our objectives are to plan and perform procedures to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatements, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could influence the decisions of users taken on the basis of consolidated sustainability statement.

As part of the limited assurance engagement in accordance with the Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia), we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify and assess the disclosure where a material misstatement is likely to arise, either due to fraud or error;
- designing and performing procedures to verify disclosures in the sustainability statement where material misstatements are likely to arise. The risk of not detecting a material misstatement due to fraud is higher than the risk of not identifying a material misstatement due to error, as fraud may involve collusion, falsifications, intentional omissions, misrepresentations, or the override of internal control;
- the direction, supervision and performance of the limited assurance engagement of the consolidated sustainability statement. We remain solely responsible for the conclusion on the consolidated sustainability statement.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence as the basis for expressing our conclusion.

The procedures performed on the consolidated sustainability statement are based on our professional judgement and included inquiries, primarily with the personnel of the Group responsible for the preparation of information included in the consolidated sustainability statement, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we performed the following main procedures partly in a preliminary phase before year end and then in a final phase up to the date of issuance of this report:

- understanding the business model, the Group's strategies and the context in which the Group operates with reference to sustainability matters;
- understanding the processes underlying the generation, collection, and management of qualitative and quantitative information included in the consolidated sustainability statement, including an analysis of the reporting perimeter;

- understanding the process carried out by the Group for the identification and evaluation of material impacts, risks and opportunities, based on the principle of double materiality, with reference to sustainability matters;
- identification of the information where a risk of material misstatement is likely to arise, taking into consideration, among others, risk factors related to the generation and collection of the information, to the estimates and to the complexity of the related calculation methods, as well as qualitative and quantitative factors related to the nature of such information;
- design and performance of procedures, based on the professional judgment of the auditor of the consolidated sustainability report, to respond to identified risks of material misstatement, also with the support of Deloitte specialists, with reference to specific environmental matters;
- understanding of the process set up by the Group to identify eligible economic activities and determine their alignment to the requirements of the Taxonomy Regulation, and verifying the related information included in the consolidated sustainability statement;
- comparison of the information reported in the consolidated sustainability statement with the information included in the consolidated financial statements pursuant to the applicable financial reporting framework, or with the accounting data used for the preparation of the financial statements, or with the management data accounting in nature;
- verification of the structure and presentation of the information included in the consolidated sustainability statement in accordance with ESRS, including the information related to the materiality assessment process;
- obtaining the representation letter.

DELOITTE & TOUCHE S.p.A.,

Francesco Legrottaglie

Partner

Rome, Italy

March 31, 2025

This independent auditor's 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.

BOARD OF STATUTORY AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING OF AVIO S.p.A.

in accordance with Article 153 of Legislative Decree No. 58/1998 and of Article 2429, paragraph 2,
of the Civil Code

Dear Shareholders,

with this report, drawn up as per Article 153 of Legislative Decree No. 58 of February 24, 1998 ("CFA") and Article 2429, paragraph 2, of the Civil Code, the Board of Statutory Auditors of Avio S.p.A. ("Avio" or also the "Company") reports on the activities carried out in the year ending December 31, 2024, in compliance with the applicable regulation, taking account also of the conduct rules for the Board of Statutory Auditors of listed companies recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), of Consob's provisions concerning corporate controls and the standards and recommendations of the Corporate Governance Code.

In particular, this report is drawn up in accordance with the indications provided by Consob with Communication DAC/RM/97001574 of February 20, 1997 and Communication DEM/1025564 of April 6, 2001, as amended and supplemented by Communications DEM/3021582 of April 4, 2003 and DEM/6031329 of April 7, 2006.

In addition, as Avio has adopted a traditional governance model, the Board of Statutory Auditors acts as the "Internal Control and Audit Committee" and, therefore, in this report, account shall also be taken of the specific financial disclosure, consolidated sustainability reporting and audit control and monitoring functions, as per Article 19 of Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 125 of September 6, 2024.

The current Board of Statutory Auditors was appointed on May 6, 2020 and reconfirmed, in its same composition, on April 28, 2023 by the Shareholders' Meeting of Avio. Its term of office concludes with the approval of the financial statements at December 31, 2025.

The audit of the financial statements as per the above-stated Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016, is undertaken by the

Independent Audit Firm Deloitte & Touche S.p.A. (hereafter also “the Auditor”), appointed by the Shareholders’ Meeting of June 15, 2017 for nine financial years (2017-2025).

The Independent Audit Firm Deloitte & Touche S.p.A., which had already been appointed to carry out the audit and issue the attestation provided for, on the subject of non-financial statements, by Article 3, paragraph 10, of Legislative Decree No. 254 of 2016, was appointed, based on the transitional rule contained in paragraph 1 of Article 18 of Legislative Decree No. 125 of September 6, 2024, to issue the attestation on the compliance of the sustainability statement pursuant to Article 8 of the Legislative Decree No. 125.

1. SUPERVISORY ACTIVITY

1.1 Oversight upon legal, regulatory and By-Law compliance

The supervisory duties of the Board of Statutory Auditors are governed by Article 2403 of the Civil Code, by Legislative Decree No. 58 of 1998 and by Legislative Decree No. 39 of 2010. The Board of Statutory Auditors took into account the amendments made to Legislative Decree No. 39 of 2010, implementing Directive 2014/56/EU, by Legislative Decree No. 135 of 2016 and the regulations contained in European Regulation 537/2014, as well as the amendments made to Legislative Decree No. 39, implementing the CSRD Directive, by Legislative Decree No. 125 of 2024.

On the supervisory activities carried out during the year, considering also the indications provided by Consob in the above-mentioned communications, the Board undertook the duties outlined below.

The Board of Statutory Auditors ascertained that the provisions of the By-Laws, as last amended by the Extraordinary Shareholders' Meeting on December 20, 2024, comply with the legal provisions and regulations.

The Board of Statutory Auditors periodically received from the Directors, also through attending the meetings of the Board of Directors and of the internal board committees, information on the activities carried out and on the main economic, financial and equity transactions approved and executed in the year, in addition to, in accordance with Article 150 of the CFA, paragraph 1, those undertaken by the subsidiaries. Based on the information available, the Board can reasonably state that these transactions were in compliance with law and the corporate objectives and were not imprudent, reckless, contrary to resolutions of the Shareholders’ Meetings or such as to compromise the integrity of the company’s assets.

The Board of Statutory Auditors monitored compliance with the disclosure requirements regarding regulated, inside information or information required by the supervisory authorities, ensuring that each body and function of Avio have complied with its disclosure obligations.

The Board of Statutory Auditors monitored, by acquiring information from the functions concerned, civil, administrative, criminal and tax litigation that may affect Avio.

During FY 2024, the Board of Statutory Auditors performed its duties by holding nineteen meetings, attended two Shareholders' Meetings, ten meetings of the Board of Directors, twelve meetings of the Control and Risks Committee, ten meetings of the Appointments and Remuneration Committee, and seven meetings of the Sustainability Committee.

During the year, the Board of Statutory Auditors met the Supervisory Board as per Legs. Decree No. 231 of 2001 to reciprocally exchange information.

1.2 Oversight upon compliance with the principles of correct administration and on the adequacy of the organisational structure

The Board of Statutory Auditors acquired knowledge of and supervised, to the extent of its remit, the adequacy of the Company's organisational structure through information acquired from the Board of Directors, the Chief Executive Officer, and the heads of corporate functions.

With reference to the Italian subsidiaries, the Board of Statutory Auditors, through information acquired from the Boards of Statutory Auditors and/or the administrative body of those companies, as part of the mutual exchange of relevant data and information, obtained knowledge and supervised:

- the fulfilment of the principles of correct administration;
- the adequacy of the organisational structure;
- the adequacy of the instructions issued by Avio pursuant to Article 114, paragraph 2 of the CFA;
- the timely delivery of the requested information.

From the information received by the Boards of Statutory Auditors of the Italian subsidiaries, including by means of relevant questionnaires to take into account the changes that have taken place in the consolidated sustainability reporting, filled out and signed by the supervisory bodies, no critical issues arose.

The transactions potentially presenting a conflict of interests were approved in compliance with law, the regulatory provisions, the By-Laws. and the Board of Directors' regulation.

The Board of Statutory Auditors during the year supervised on the manner in which the corporate governance rules set out by the Corporate Governance Code were effectively applied. Among others, it verified the progressive implementation of the recommendations of the Corporate Governance Committee of December 14, 2023.

The main events in the year, which the Board of Statutory Auditors highlight in view of their significance, were as follows:

- The European Space Agency has chosen Vega C to launch the Solar wind Magnetosphere Ionosphere Link Explorer (SMILE) mission;
- the Zefiro-40 solid-fuel rocket engine, the second stage of the Vega-C launcher, was tested by Avio on May 28, 2024 at the Salto di Quirra testing range in Sardinia; a second ignition test was successfully conducted on October 3, 2024;
- 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 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;
- on July 9, 2024, the Ariane 6 launcher successfully made its maiden flight, taking off from the French Guyana Space Centre, placing multiple payloads into orbit;
- Avio is working on a more powerful version of the boosters, called the P160, which increases the thrust of the Ariane 6 launcher and consequently also its load capacity;
- 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 needed to begin production of these engines;
- 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;
- on July 30, 2024, an Avio French 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,

- on September 5, 2024, Vega successfully launched the Sentinel-2C Earth Observation Satellite, a dedicated mission for the European Commission Copernicus Program;
- Avio USA, a subsidiary of Avio S.p.A., has chosen ACMI Properties to conceive and design its first solid-propellant engine production plant in the United States; the project is a potential investment in the U.S. industrial base to support the rapidly increasing demand for solid-propellant engines in the aerospace and defence sectors;
- Avio has signed a contract with MBDA Italy for Avio to supply propulsion engines for the CAMM-ER (Extended Range) missiles produced by MBDA; the conclusion of this contract, worth close to Euro 150 million, includes at the same time as the supply of the propulsion units, technology transfer activities related to part of the manufacturing and engine integration.
- on December 6, 2024, Vega C successfully launched the Earth observation satellite Sentinel-1C, a mission of the European Commission's Copernicus programme;
- on December 18, 2024, two contracts have been signed between ESA and Avio, with a total value of approximately Euro 350 million and a three-year timeframe;
- the development of the new Vega-E launcher;
- the upgrades to the ground infrastructure for Vega-C to increase launch cadence;
- ESA has signed a framework contract with Avio for the acquisition of launch services in support of the agency's future missions, as well as a first operational order for the launch of the FORUM Earth observation mission.

With reference to the calls for attention published by Consob on March 18, 2022 and May 19, 2022, addressed to listed issuers and concerning the impact of the war in Ukraine on financial disclosure, the Board of Statutory Auditors highlights that, in the Annual Financial Report, approved by the Board of Directors on March 13, 2025, "Main risks and uncertainties to which the Group is exposed - Risks relating to the war in Ukraine", Avio, among other matters, highlights that:

- 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-C launcher (the "MEA engine");

- therefore the status of supplies of the main engine of the 4th stage for the Vega-C launcher, already in Colleferro, by virtue of the advance orders placed as early as 2017, allows the uninterrupted continuation of industrial activity with respect to the VEGA-C programme 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 previous 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;
- based on the above, the risks from impacts from dependence on such Ukrainian strategic suppliers are qualified as possible;
- currently, there is no direct procurement from Russian suppliers.

In the Annual Financial Report, among the Subsequent events, the company points out that:

- Avio recently signed the ESA Zero Debris Charter and is fully committed to compliance thereto;
- all components of the Vega C launcher are systematically de-orbited following launch, including the AVUM+ last stage, which performs an atmospheric re-entry manoeuvre to clear orbit following satellite deployment;
- in February 2025, the first ignitions in bipropellant mode of the first prototype of the MPGE, Multi Purpose Green Engine, were successfully carried out on a test stand - also built as part of the project - at Avio's facilities;
- on March 6, 2025, the Ariane 6 launcher successfully completed flight VA263 from the Guiana Space Centre, putting the CSO-3 satellite into orbit for the French Armed Forces;

- 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;
- 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 were offered the possibility to transfer their contracts to Avio as the new launch service provider and sole operator of Vega. customers, without exception, have accepted this possibility, and the formalities associated with the transfer process are underway with an expectation of completion in the second quarter of 2025.

The Directors' Report, the information received during the meetings of the Board of Directors and that received from the Chief Executive Officer, senior management, the Boards of Statutory Auditors and/or the Board of Directors of the subsidiaries and from the Independent Audit Firm do not indicate the existence of atypical and/or unusual transactions with Group companies, with third parties or with related parties.

During the year, the company introduced various provisions to implement measures introduced by Regulations, the Oversight Authorities, in addition to the Corporate Governance Code.

The Board of Statutory Auditors verified, also through participation at the meetings of the Appointments and Remuneration Committee, the company processes undertaken to establish the remuneration policies of the company, with particular regards to the remuneration criteria of the Chief Executive Officer and of the Senior Executives.

As part of its supervisory activities, the Board of Statutory Auditors then reviewed and obtained information on the organisational and procedural activities put in place pursuant to Legislative Decree No. 231/2001 for the prevention of the offenses set forth therein; these latter activities are illustrated in the Corporate Governance and Ownership Structure Report, to which reference should be made.

Based on this information, it is the opinion of the Board of Statutory Auditors that the organisational structure of the Company, the procedures put in place, in addition to the set of expertise and responsibilities, can be considered on the whole adequate in relation to the size of the company and the type of business conducted.

1.3 Oversight of the internal control and risk management system

The Board of Statutory Auditors monitored the adequacy of the internal control and risk management systems through:

- regular participation at the Control and Risks Committee, the Appointments and Remuneration Committee and the Sustainability Committee of the Company,
- the periodic meetings with the Internal Audit function and the Legal and Compliance function to assess the work planning methods, based on the identification and assessment of the main process and organisational unit risks;
- the meetings with the Risk Management function to analyse Avio's and the Group's strategic risks;
- the meetings with senior positions regarding the organisational and operating impacts of Avio's activities;
- the review of reports from the Internal Audit function;
- the meetings with the Executive Responsible for Financial Reporting;
- the discussion of the work performed by the Independent Audit Firm Deloitte & Touche S.p.A.;
- the meetings with the Supervisory Board pursuant to Legislative Decree No. 231 of 2001 and the examination of its periodic Reports, in which it is stated that, based on the information received and meetings undertaken, no critical issues arose on compliance with the 231 Model, which appears to be adequately implemented;
- the acquisition as per paragraphs 1 and 2 of Article 151 of the CFA of information from the boards of the Italian registered subsidiaries on events considered significant involving the Group companies and on the internal control system;
- the review of the report of the Control and Risks Committee and the activities carried out and on the adequacy of the internal control and risk management system;
- discussion with the Company's Chief Executive Officer on the adequacy of Avio's organisation, administrative and accounting structure, aimed at understanding the risks, including prospective risks, to be faced;
- the acknowledgement of the assessment, expressed by the Board of Statutory Auditors, of the adequacy of the organisational, administrative and accounting structure of Avio and of the strategically significant subsidiaries.

The Company's Internal Audit function which, with the favourable opinion of the Board of Statutory Auditors, is outsourced to a specialised company, operates on the basis of a multi-year plan,

reviewed annually, which defines activities and processes to be audited with a view to a risk-based approach. The plan is approved by the Board of Directors, following the approval of the Control and Risks Committee and consultation with the Board of Statutory Auditors.

The activities carried out by Internal Audit during the year substantially covered the planned scope of activities. These activities did not indicate significant issues, although highlighting areas for improvement, carefully monitored, to be implemented according to established and verified timelines.

The Board of Statutory Auditors has acquired information upon the adequacy of the organisational, administrative and accounting structure of the Company and its subsidiaries - taking into account the characteristics and size of the company - including for the purposes of the provisions of the Crisis and Insolvency Code, with particular regard to the tools adopted for tracking and managing risks.

On the basis of the activities carried out, the information acquired and the Internal Audit function's report, as well as the positive assessments expressed by the Board of Directors, the Board of Statutory Auditors considers that no criticalities exist which may affect the internal control and risk management systems structure.

1.4 Oversight on the administrative-accounting system and on the financial disclosure process

The Board of Statutory Auditors supervised the administrative and accounting system's suitability and its appropriateness in correctly representing accounting data and activities performed under the coordination of the Executive Officer, for the purposes of the requirements referred to in Law 262/05 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions.

The Board of Statutory Auditors periodically met the Executive responsible for the preparation of the corporate accounting documents to exchange information on the administrative-accounting system, while also considering the reliability of this latter to correctly present operating events.

The Board of Statutory Auditors also reviewed the declaration of the Chief Executive Officer and the Executive Officer for Financial Reporting, prepared on March 13, 2025, in accordance with the provisions contained in Paragraph 5 and Paragraph 5-bis of Article 154-bis of the CFA, in accordance with the model set forth in Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, as subsequently amended and supplemented.

The Board of Directors on January 28, 2025 approved the impairment test procedure drawn up according to IAS 36, governing the methods to verify the recoverability of Avio Group's assets and on March 13, 2025 approved the results of applying the same procedure, also with the support of an independent advisor, to the relative items of the 2024 financial statements.

The Board supervised (i) on the adoption of the procedure and, subsequently (ii) on the outcome of the checks made by management, with the support of an independent advisor, which confirms the recoverability of the assets subject to the impairment test.

The Executive Officer for Financial Reporting and the Independent Audit Firm confirmed to the Board of Statutory Auditors that the guidance provided by the European Securities and Markets Authority (ESMA) in its October 24, 2024 document on Common European Supervisory Priorities and Consob's December 20, 2024 Notice for Attention regarding the impact of climate-related issues was taken into account in conducting the impairment test.

The Board of Statutory Auditors monitored compliance with the procedural rules for the financial disclosure process relating to the separate financial statements and consolidated financial statements and does not report upon any deficiencies that would affect its judgment of the adequacy and effective application of administrative and accounting procedures.

1.5 Supervisory activities on sustainability reporting

The Board of Statutory Auditors reviewed the sustainability governance structure adopted by the company. In this regard, central importance is given to the Board of Directors, which, as part of its strategic guidance, identifies the medium- and long-term ESG goals - approving the Group's sustainability plan within the long-term strategy - and identifies the Impacts, Risks and Opportunities ("IRO"), validating the double materiality analysis.

The Board of Directors also relies on the work of the Sustainability Committee, which is entrusted with an investigative and proactive role regarding ESG issues and processes, including those concerning sustainability reporting.

The Board of Statutory Auditors has verified that sustainability reporting is structured in a way that is consistent with the provisions of Legislative Decree No. 125 of 2024 and with the strategic objectives and corporate policies set out in business plans, and that it sets out information regarding both the impact of the company's activities on the environment, people and governance ("inside-out"), and how risks and opportunities arising from sustainability issues affect the company's economic and financial performance ("outside-in").

It should be noted that Avio has established for the declaration of the Sustainability Statement to be made by the Executive Officer for Financial Reporting.

The Board of Statutory Auditors therefore acquired information on the activities planned and then carried out by the Executive Officer for the purpose of certifying compliance with the standards set by the regulations.

The Board of Statutory Auditors has verified that the consolidated sustainability statement has been prepared by the Directors in accordance with the reporting standards adopted by the European Commission under Directive 2013/34/EU (European Sustainability Reporting Standards) and that the information contained in Section "2.1 EU Taxonomy" has been prepared in accordance with Article 8 of Regulation (EU) No. 852 of June 18, 2020 ("Taxonomy Regulation").

The Board of Statutory Auditors also took note of the declaration issued by the Chief Executive Officer and the Executive Officer regarding the compliance of the sustainability statement with the standards applied pursuant to Directive 2013/34/EU of the European Parliament and of the Council, and Legislative Decree No. 125, as well as regarding the preparation thereof with the specifications adopted pursuant to Regulation (EU) 2020/852 of the European Parliament on taxonomy.

1.6 Oversight on related party transactions

The Board of Statutory Auditors supervised the compliance of the Related Party Transactions Policy ("RPT Policy") with the applicable regulation.

Intercompany or related party transactions are disclosed in the notes to the consolidated financial statements, § 7 Related Party Transactions, as well as in the notes to the financial statements, § 6 Related Party Transactions.

The related parties of the Companies are identified on the basis of IAS 24 - *Related Party Disclosures*, applicable from January 1, 2011, and are generally 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.

2. INTERNAL CONTROL AND AUDIT COMMITTEE

2.1 Supervisory activities on the audit of annual and consolidated financial statements

In accordance with Article 19 of Legislative Decree No. 39 of 2010, the Board of Statutory Auditors is identified as the Internal Control and Audit Committee and carried out the required oversight activities upon the legally required audit of the statutory annual accounts and of the consolidated accounts.

The Board of Statutory Auditors periodically met with the Independent Audit Firm Deloitte & Touche S.p.A., also as per Article 150, paragraph 3, of the CFA for the exchange of reciprocal information. At these meetings, the Independent Audit Firm did not indicate any facts or events requiring indication or irregularities requiring specific reporting as per Article 155, paragraph 2 of the CFA.

For its supervision activities, the Board of Statutory Auditors periodically met with the independent audit firm to review the results from the auditing of the proper maintenance of accounting records, to review the Avio and Group 2024 Audit Plan and for the state of advancement of the Audit Plan.

In particular, the Board of Statutory Auditors:

- i. noted an appropriate level of professional scepticism;
- ii. promoted effective and timely communication with the Auditors.

The Board of Statutory Auditors has (i) analysed the work carried out by the Independent Audit Firm, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work and (ii) shared with the Independent Audit Firm the issues related to corporate risks, thus being able to appreciate the adequacy of the response by the auditor with the structural and risk profiles of the Company and the Group; (iii) carried out adequate in-depth analysis of the Audit Quality Indicators.

The draft financial statements at December 31, 2024, accompanied by the Directors' Report prepared by the Directors, in addition to the indicated statement of the Chief Executive Officer and of the Executive Officer, were approved by the Board of Directors at the meeting of March 13, 2025 and simultaneously made available to the Board of Statutory Auditors in view of the Shareholders' Meeting called for April 30, 2025.

On the same date of March 13, 2025, Avio's Board of Directors also took note of the consolidated financial statements, as prepared, pursuant to Article 154-bis of the CFA, by the same Executive, which were also the subject of the same statement, and similarly made them available to the Board of Statutory Auditors.

Avio S.p.A.'s financial statements report a net profit of Euro 7,992 thousand.

The Directors' Report highlights, with regard to Avio S.p.A., that:

- the EBIT was Euro 7,058 thousand, increasing Euro 4,828 thousand on 2023;
- this increase is mainly attributable to the contribution of revenues, a decrease in energy costs, and a reduction in non-recurring charges mainly related to the return to flight of Vega C;
- the result for 2024 was also shaped by the research and development tax credit of Euro 1,796 thousand (Euro 2,729 thousand in 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.

The Directors' Report highlights, with regard to the Group, that:

- the EBIT was Euro 8,383 thousand, increasing Euro 3,155 thousand on 2023;
- this increase is mainly attributable to the contribution of revenues, a decrease in energy costs, and a reduction in non-recurring charges mainly related to the return to flight of Vega C;
- the aforementioned tax credit for research and development activities in the amount of Euro 1,796 thousand (Euro 2,729 thousand in 2023) also contributed to the 2024 result.

The Directors' Report, through the reconciliation of EBIT, Adjusted EBIT and Adjusted EBITDA, highlights, with reference to the results of the Avio Group, that the Adjusted EBIT and the Adjusted EBITDA included non-recurring charges/income for a net amount of Euro 5.5 million, comprising:

- exploratory activities of potential new business amounting to charges of Euro 4,709 thousand;
- new European launcher governance amounting to charges of Euro 967 thousand;
- other non-recurring charges/(income) amounting to Euro 198 thousand;
- corporate, legal and financial consultancy amounting to charges of Euro 534 thousand;
- settlement agreements/incentives/other personnel amounting to income of Euro 95 thousand;
- 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) amounting to income of Euro 850 thousand;

- provision for registration tax amounting to income of Euro 58,220 thousand;
- (indemnity) for registration tax amounting to charges of Euro 58,220 thousand;

As illustrated in the Directors' Report, the movement in the "Registration Tax Provision" and "(Indemnity) Registration tax" follows the order of the Court of Cassation published on December 13, 2024 which definitively rejected the Tax Agency's appeal filed against the favourable second instance ruling for Avio S.p.A. of the Piedmont Tax Commission. The requirements for the recognition of a receivable from the General Electric Group and a simultaneous payable to the Tax Agency for Euro 58,220 thousand in 2016 therefore no longer apply.

On March 31, 2025, the Independent Audit Firm issued, pursuant to Article 14 of Legislative Decree No. 39 of 2010 and Article 10 of Regulation (EU) No. 537/2014, the audit reports on the financial statements and consolidated financial statements of the Avio Group for the year ended December 31, 2024, prepared in accordance with International Financial Reporting Standards - IFRS adopted by the European Union, in addition to the implementing provision of Article 9 of Legs. Decree No. 38 of 2005.

The Independent Audit Firm highlighted the following key aspects of the audit:

- Valuation of contract work-in-progress;
- Recoverability of goodwill

and also highlighted the relevant audit procedures carried out.

Regarding opinions and certifications, the Independent Audit Firm in its audit reports on the annual financial statements and consolidated financial statements has:

- issued an opinion indicating that the financial statements of Avio and the consolidated financial statements of the Avio Group provide a true and fair view of the equity and financial situation of the company and of the Group at December 31, 2024, of the result for the year and of the cash flows for the year ending at that date, in compliance with the International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree No. 38 of 2005;
- issued an opinion on the consistency of the Directors' Report with the separate financial statements and consolidated financial statements at December 31, 2024 and the specific information in the Corporate Governance and Ownership Structure Report indicated in Article 123-bis, paragraph 4 of the CFA, whose responsibility lies with the Directors of Avio,

and are consistent with the documentation of the financial statements and are legally compliant;

- issued an opinion on the compliance of the preparation of the separate financial statements in XHTML format with the provisions of Delegated Regulation (EU) 2019/815;
- issued an opinion that the consolidated financial statements as of December 31, 2024 have been prepared in XHTML format and have been marked in all significant aspects in accordance with the provisions of Delegated Regulation (EU) 2019/815;
- declared, with regards to any significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and of the relative context acquired during the audit activities, to not having any matters to report.

On March 31, 2025, the Independent Audit Firm also presented to the Board of Statutory Auditors the additional report required by Article 11 of Regulation EC No. 537/2014 and which did not indicate significant deficiencies in the internal control system with regards to the financial disclosure process requiring the attention of Internal Control and Audit Committee. The Board of Statutory Auditors will inform the Board of Directors on the results of the audit, transmitting for this purpose the additional report pursuant to Article 11 of the European Regulation 537/2014, accompanied by any observations, pursuant to Article 19 of Legislative Decree 39 of 2010.

The Independent Audit Firm presented to the Board of Statutory Auditors the statement regarding its independence, as required by Article 6 of Regulation (EC) 537/2014, indicating no situations which may compromise such.

During 2024, the Independent Audit Firm performed the tasks described in point 8 of the notes to the separate financial statements and note 9 of the consolidated financial statements, as required by Article 149-*duodecies* of the Issuers' Regulation.

2.2 Monitoring activities of the consolidated sustainability statement process and its limited review by the Independent Audit Firm

As the Internal Control and Audit Committee, pursuant to Article 19 of Legislative Decree No. 39 of January 27, 2010, the Board of Statutory Auditors examined the sustainability statement process and related procedure implemented by the company also for the purpose of compliance with the standards adopted by the European Commission, including the use of the electronic format; it also checked the effectiveness of the internal control, quality and risk management system as well as the internal audit with regard to sustainability reporting.

Avio approved:

- an "Internal Control Model on sustainability reporting";
- a "Procedure for the preparation of the consolidated sustainability statement";
- a new version of the "Executive Officer for Financial Reporting Regulation".

The Internal Control Model for sustainability reporting was based on leading national and international practices (e.g. the CoSO Report on sustainability statements).

The Procedure for preparing the consolidated sustainability statement seeks to define the operational process for preparing the Avio S.p.A. Group's Sustainability Statement as part of the Directors' Report within the Annual Financial Report. This document is drafted in compliance with Legislative Decree No. 125/2024 (hereinafter also referred to as the Decree), which transposed the new Directive 2022/2464/EU (Corporate Sustainability Reporting Directive, CSRD). It follows the European Sustainability Reporting Standard (ESRS) and of EU Regulation 2020/852 (the Taxonomy Regulation).

The procedure defines activity flows and verification processes, in line with the Internal Control Model for sustainability reporting, establishing roles and responsibilities.

The new version of the "Executive Officer for Financial Reporting Regulation" takes into account the circumstance that Legislative Decree No. 125/2024, on the transposition of the CSRD supplemented Article 154-bis of the CFA (paragraph 5-ter), introducing an expansion of the sphere of attestation of the Executive Officer for Financial Reporting, who will also have to provide an attestation of compliance of the Sustainability Statement with the reporting standards (European Sustainability Reporting Standard, ESRS) and the Taxonomy Regulation.

The Board of Statutory Auditors acquired knowledge from the functions in charge of the sustainability reporting process and verified the existence:

- of an appropriate organisational structure for the sustainability reporting process;
- of an adequate administrative/accounting system;
- of directives, procedures and operating practices adopted for the purpose of ensuring that consolidated sustainability reporting is complete and reliable;
- of adequate periodic information, both quantitative and qualitative, instrumental in defining sustainability reporting.

The Board of Statutory Auditors monitored the declaration activities of the consolidated sustainability statement by ensuring a regular exchange of information with the Auditor of the sustainability statement and carried out an analysis of the methodological audit framework adopted by them.

The Executive Officer for Financial Reporting and the Independent Audit Firm have confirmed to the Board of Statutory Auditors that they have taken into account in their verifications the guidance provided by the European Securities and Markets Authority (ESMA) in its October 24, 2024 document on Common European Supervisory Priorities and Consob's December 20, 2024 Notice for Attention on Climate Disclosures provided in Sustainability Reporting.

On March 31, 2025, the Independent Audit Firm Deloitte & Touche S.p.A., which is independent in accordance with the rules and principles of ethics and independence applicable to the assignment in question, issued its report on the limited audit of the consolidated sustainability statement pursuant to Article 14-bis of Legislative Decree No. 39 of January 27, 2010.

The Independent Audit Firm has declared that, based on its work, no evidence has come to its attention to suggest that:

- the Avio Group's consolidated sustainability statement for the year ending December 31, 2024, has not been prepared, in all significant aspects, in accordance with the reporting standards adopted by the European Commission pursuant to Directive (EU) 2013/34/EU (ESRS);
- the information contained in the paragraph "2.1 EU Taxonomy" of the consolidated sustainability statement has not been prepared in all significant aspects in accordance with Article 8 of Regulation (EU) No. 852 of June 18, 2020 (Taxonomy Regulation).

3. OTHER ACTIVITIES

3.1 Method for the concrete application of the Corporate Governance rules

In exercising its functions, the Board of Statutory Auditors, as required by Article 2403 of the Civil Code and Article 149 of the CFA, oversaw the methods for the concrete implementation of the corporate governance rules set out in the conduct codes with which Avio complies. The company complies with the Corporate Governance Code of listed companies prepared by the Corporate Governance Committee and in accordance with Article 123-bis of the CFA the "Corporate Governance and Ownership Structure Report", in which information is provided upon:

- i. the effectively applied corporate governance practices;
- ii. the main features of Internal Control and Risk Management Systems;
- iii. the mechanisms for the functioning of the Shareholders' Meetings, its main powers, the rights of Shareholders and the operating rules;
- iv. the composition and functioning of the administration and control boards and of the internal committees.

The Board of Directors approved the "Corporate Governance and Ownership Structure Report" on March 13, 2025.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members, based also on the qualitative and quantitative criteria previously defined by the Board of Directors pursuant to Recommendation 7, first paragraph, letters c) and d), contained in Article 2 of the Corporate Governance Code.

The Board of Directors conducted, with the support of an external consulting firm, an evaluation of its operation, the results of which were discussed at the meeting of March 7, 2025 and are outlined in the "Corporate Governance and Ownership Structure Report".

3.2 Supervisory Activities on Remuneration Policies

The Board of Statutory Auditors verified the company processes undertaken to establish the remuneration policies of the company, with particular regards to the remuneration criteria of the Chief Executive Officer and of the Senior Executives providing, where required by law, their opinion.

The Board of Directors on March 13, 2025, on the proposal of the Appointments and Remuneration Committee, approved the "Remuneration policy and report" drawn up as per Article 123 *ter* of the CFA and Article 5 of the Corporate Governance Code.

3.3 Notices, claims, omissions or citable events, opinions provided and initiatives taken

In 2024, the Board of Statutory Auditors did not receive any notices as per Article 2408 of the Civil Code, nor received petitions from third parties. The Board of Statutory Auditors is not aware of any other notices to be reported to the Shareholders' Meeting.

In the course of the activities carried out and based on the information obtained, no significant omissions, matters, irregularities or circumstances that would require reporting to the Supervisory Authority or mention in the present report were noted.

The Board of Statutory Auditors also issued the opinions required by current legislation.

The Board of Statutory Auditors, in its role as the Internal Control and Audit Committee, submitted to the Shareholders' Meeting of December 20, 2024 a reasoned proposal for the appointment of the independent audit firm for the period 2026-2034 pursuant to Article 13 of Legislative Decree No. 39/2010, and Article 16 of Regulation (EU) No. 537/2014.

The Shareholders' Meeting, accepting the Board of Statutory Auditors' proposal, resolved to appoint KPMG S.p.A. to audit Avio's financial statements for the nine year period from 2026 to 2034.

3.4 Board of Statutory Auditors' Self-Assessment

The Board of Statutory Auditors monitored whether each of its members met and continued to meet the regulatory requirements of independence, standing, professionalism, and compliance with the limits on the accumulation of positions.

The statutory gender distribution criterion is applied with reference to the composition of the Board of Statutory Auditors currently in office.

Pursuant to Rule Q.1.7 of the Rules of Conduct for the Board of Statutory Auditors of Listed Companies, the Board of Statutory Auditors conducted its own self-assessment with the support of an external consulting firm, the results of which were discussed and presented to the Board of Directors at its meeting on March 7, 2025, and are described in the "Corporate Governance and Ownership Structure Report".

4. CONCLUSIONS

Taking account of that outlined above, the Board of Statutory Auditors, considering the content of the reports prepared by the Independent Audit Firm, noting the statements issued jointly by the Chief Executive Officer and by the Executive Officer, expresses a favourable opinion on the approval of the statutory financial statements of Avio at December 31, 2024 and on the proposal to allocate the net profit for the year of Euro 7,991,577, drawn up by the Board of Directors, as follows:

- Euro 3,750,000 as dividend;
- Euro 4,241,577 to retained earnings.

Rome, March 31st 2025

The Board of Statutory Auditors

Vito Di Battista (Chairperson)

Mario M. Busso (Statutory Auditor)

Michela Zeme (Statutory Auditor)

