



## 2017 RESULTS<sup>1</sup>

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### STRONG GROWTH IN REVENUES, MARGIN AND BACKLOG

- Net Order Backlog: Euro 952 million (+23% on 2016)
- Revenues: Euro 343.8 million (+18% on 2016)
- Adjusted EBITDA<sup>2</sup>: Euro 46.5 million (+28% on 2016)
- Adjusted EBIT<sup>2</sup>: Euro 32.3 million (+20% on 2016)
- Reported EBIT: Euro 25.0 million (+89% on 2016)
- Net Result: Euro 21.8 million (vs Euro 3.1 million in 2016)
- Net Financial Position: net cash position of Euro 42 million (debt of Euro 18.6 million at December 31, 2016<sup>3</sup>).

**Rome, March 15, 2018** – The Board of Directors of Avio S.p.A. today reviewed and approved the statutory financial statements and presented the consolidated financial statements of Avio S.p.A. at December 31, 2017.

Avio, a leading aerospace enterprise listed on the STAR segment of the Italian Stock Exchange, reports revenues for 2017 of **Euro 343.8 million - up 18%** on the previous year. The increase is primarily due to production on the Vega launcher and progress on the development of the new P120C motor and on the Vega C.

**Adjusted EBITDA of Euro 46.5 million grew 28%** on the previous year, particularly thanks to:

- Maintenance of the same overhead structure against major revenue growth;
- Improved operating cost structure from application of the tax credit<sup>4</sup>.

**The net result of Euro 21.8 million was significantly up (Euro 3.1 million in 2016)**, thanks to the EBITDA improvement and also to the considerable reduction in net financial charges (Euro 3.6 million against Euro 6.9 million in 2016), relating to the new Group debt structure whose full benefits on an annual basis shall be apparent from 2018. In particular, in 2017 Avio firstly repaid in advance through own funds the pre-existing bank loan (approx. Euro 95 million) and thereafter in October 2017 agreed with the European Investment Bank a new loan of Euro 40 million (with 7 year duration

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<sup>1</sup> In view of the corporate extraordinary transaction of April 10, 2017 resulting in the company's stock market listing, the 2017 figures are "pro-forma" i.e. referring to the twelve months of financial year 2017 and including the results of the Avio Group for the first quarter of 2017 pre-corporate transaction. The 2016 Avio Group figures in this press release are in line with the press releases and presentations relating to the 2016 results.

<sup>2</sup> The Adjusted indicators exclude non-recurring or unusual items.

<sup>3</sup> Does not include contribution from merger with Space2 S.p.A. on April 10, 2017.

<sup>4</sup> The research and development tax credit (ref. Ministry for Economic Development Law of December 23, 2013 No. 145) derives from the increase in Research and Development costs in 2017 against the average for the 2012-2014 period.

and at a fixed interest rate) to support the development of new space propulsion system products and technologies and to expand the Colleferro facility production capacity.

**The net order backlog also grew to Euro 952 million (+23% on December 31, 2016)** thanks to new contracts worth over Euro 500 million, in particular for Vega (Batch 3 production and development programmes). In addition, in February 2018 Avio signed a contract for the PC batch for the supply of solid propulsion engines for the last 10 Ariane 5 launches before the introduction of the new Ariane 6 launcher.

**The net financial position improved to a liquidity position of Euro 41.7 million** (from a debt of Euro 18.6 million at December 31, 2016<sup>3</sup>), thanks to the cash contribution from the completion of the merger with Space 2 S.p.A. leading to the company's listing on the STAR segment of the Italian Stock Exchange, despite increased investment over the previous year (Euro 28.6 million compared to Euro 24.5 million in 2016).

The Board of Directors approved the Dividend Policy and, on the basis of the achieved and expected results, proposes to the Shareholders' Meeting to be held on April 24, 2018 the distribution of a dividend per share of Euro 0.38, gross of statutory withholdings.

It is also proposed that the dividend is paid out from May 16, 2018, with coupon date (coupon No. 3) of May 14, 2018 and record date of May 15, 2018, in accordance with Article 83-*terdecies* of the CFA.

**2017 saw 6 successful Ariane 5 flights and 3 for Vega**, which has now therefore delivered 11 consecutive successful launches (from the inaugural flight in 2012) - the fifth in 14 months - consolidating its world reliability record in terms of a new space launch product.

Avio in addition continued with its intensive programme of developing the new generation of European launchers (Vega C, Ariane 6) with **the realization of the first P120 and Z40 models**. In March 2018, Avio successfully conducted the first launch of the new Vega C Z40 motor in Sardinia, demonstrating therefore the mature state of development of the launcher.

In 2017, the Group undertook extensive development and construction of strategic infrastructure at its production sites (Colleferro and Kourou), completing critical new plant and machinery to support the enterprise's growth over the coming years. In particular: the new P120 production facility, new machinery for the radiographic and hydraulic tests, new nozzle integration plant, in addition to new automated plant for the production and integration of solid motors at the Joint Venture Europropulsion and the controlled company Regulus.

In 2017, the Group finally integrated the organisations of Avio and ELV (Vega Prime Contractor company) in order to streamline the development and production processes of propulsion and system activities.

*"2017 was a key year in our company's history - stated Chief Executive Officer of Avio, Giulio Ranzo. The stock market listing, the track record of Ariane and Vega successful launches, the production of the new P120C and Zefiro 40 motors for the next generation of European launchers, the construction of the new production and technology plant at Colleferro and a significantly strengthened new equity and financial structure have sown the seeds for growth over the coming years and allow our investors and employees to look to the future with confidence".*

*“Avio’s results, which report double digit growth for the third consecutive year - added Ranzo - highlight the solidity of our Group within a quickly expanding market and one which requires advanced technology expertise and decision-making speed to capitalise on the global level opportunities presented”.*

The 2017 highlights will be made available in the Investor Relations section of the website to assist the call with financial analysts and investors scheduled for Friday, March 16 at 10.45 AM. The Annual Financial Report will be made available in Italian and in English in accordance with Law.

Together with the 2017 Annual Financial Report, the Board of Directors of Avio S.p.A. approved its first non-financial information report (financial year 2017), in line with the reporting obligation for listed companies under Legislative Decree 254/2016.

In the coming days the Shareholders’ Meeting call notice will be published and thereafter made available on the company website at [www.investors.avio.com/Investors/](http://www.investors.avio.com/Investors/) and on the centralised storage mechanism, where the Illustrative Report to the Shareholders’ Meeting on the proposals concerning the matters on the agenda shall also be made available.

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

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**Avio** is a leading international group engaged in the construction and development of space launchers and solid and liquid propulsion systems for space travel. The experience and know-how built up over more than 50 years puts Avio at the cutting-edge of the space launcher sector, solid, liquid and cryogenic propulsion and tactical propulsion. Avio operates in Italy, France and France Guyana with 5 facilities, employing approx. 850 highly-qualified personnel, of which approx. 30% involved in research and development.

Avio is a prime contractor for the Vega programme and a sub-contractor for the Ariane programme, both financed by the European Space Agency (“ESA”), placing Italy among the limited number of countries capable of producing a complete spacecraft.

#### **For information**

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## AVIO GROUP CONSOLIDATED FINANCIAL STATEMENTS

<b>CONSOLIDATED BALANCE SHEET</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<i>(in Euro)</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	71,852,360	
Investment property	2,832,219	
Goodwill	61,005,397	
Intangible assets with definite life	117,577,280	
Investments	6,346,612	50,000
Non-current financial assets	7,440,000	10,000
Deferred tax assets	76,546,723	
Other non-current assets	65,521,105	
<b>Total non-current assets</b>	<b>409,121,695</b>	<b>60,000</b>
<b>Current assets</b>		
Inventories	125,789,247	
Contract work in progress	111,236,680	
Trade receivables	8,507,533	
Current financial assets	-	304,165,745
Cash and cash equivalents	107,033,059	444,788
Current tax receivables	72,230,694	1,013,555
Other current assets	8,663,659	107,852
<b>Total current assets</b>	<b>433,460,873</b>	<b>305,731,940</b>
Assets held-for-sale and Discontinued Operations	-	-
<b>TOTAL ASSETS</b>	<b>842,582,568</b>	<b>305,791,940</b>

**CONSOLIDATED BALANCE SHEET****December 31,  
2017****December 31,  
2016***(in Euro)***EQUITY**

Share capital	90,964,212	30,845,000
Share premium reserve	163,897,217	277,155,000
Other reserves	(4,682,849)	(2,896,914)
Retained earnings	3,611,315	289,682
Group net profit/(loss) for the year	18,360,625	(331,964)

**Total Group Equity****272,150,519 305,060,804****Equity attributable to non-controlling interests****10,054,880****TOTAL EQUITY****282,205,399 305,060,804****LIABILITIES****Non-current liabilities**

Non-current financial liabilities	40,000,000	
Employee benefit provisions	10,906,705	
Provisions for risks and charges	7,788,960	
Other non-current liabilities	116,269,657	

**Total non-current liabilities****174,965,322 -****Current liabilities**

Current financial liabilities	25,259,221	
Current portion of non-current financial payables	60,000	
Provisions for risks and charges	8,550,872	
Trade payables	89,441,365	580,780
Advances for contract work-in-progress	242,518,981	
Current tax payables	1,981,723	88,450
Other current liabilities	17,599,685	61,906

**Total current liabilities****385,411,847 731,136****TOTAL LIABILITIES****560,377,169 731,136**

Liabilities available-for-sale and discontinued operations

**- -****TOTAL LIABILITIES AND EQUITY****842,582,568 305,791,940**

CONSOLIDATED INCOME STATEMENT	FY 2017 <sup>(1)</sup>	FY 2016
(in Euro)		
Revenues	325,331,684	
Change in inventory of finished products, in progress and semi-finished	(201,741)	
Other operating income	4,527,791	
Consumption of raw materials	(98,573,405)	(50)
Service costs	(155,101,661)	
Personnel expenses	(46,694,948)	
Amortisation & Depreciation	(10,628,811)	
Write-down and write-backs	-	
Other operating costs	(6,498,068)	(2,413,529)
Effect valuation of investments under equity method - operating income/(charges)	2,513,093	
Costs capitalised for internal works	9,312,658	
<b>EBIT</b>	<b>23,986,593</b>	<b>(2,413,579)</b>
Financial income	1,418,689	2,081,615
Financial charges	(3,377,345)	
<b>NET FINANCIAL INCOME/(CHARGES)</b>	<b>(1,958,655)</b>	<b>2,081,615</b>
Effect valuation of investments under equity method - financial income/(charges)		
Other income/(charges) from investments		
<b>INVESTMENT INCOME/(CHARGES)</b>	-	-
<b>PROFIT/(LOSS) BEFORE TAXES AND DISCONTINUED OPERATIONS</b>	<b>22,027,938</b>	<b>(331,964)</b>
Income taxes	369,477	
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>22,397,415</b>	<b>(331,964)</b>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>	<b>22,397,415</b>	<b>(331,964)</b>
-- of which: Owners of the parent	18,360,625	
Non-controlling interests	4,036,790	

(1) Period from April 1 to December 31, 2017

## CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	2017 <sup>(1)</sup>	2016
<b>OPERATING ACTIVITIES</b>		
Net profit/(loss) for the year	22,397	(332)
Adjustments for:		
- Income taxes	(369)	
- (Income)/charges from equity investments	(2,513)	
- Financial (Income)/Charges	1,959	1,903
- Amortisation & Depreciation	10,629	
- (Gains)/losses on sale of property, plant & equipment & other (income)/charges	-	
Dividends received	2,460	
Net change provisions for risks and charges	(6,445)	
Net change employee provisions	65	
Changes in:		
- Inventories	5,372	
- Contract work-in-progress & advances	10,286	
- Trade receivables	(1,076)	(649)
- Trade payables	14,454	465
- Other current & non-current assets	(37,375)	
- Other current & non-current liabilities	(3,485)	
Income taxes paid	(973)	
Interest paid	(2,147)	
<b>Net liquidity generated/(employed) in operating activities</b>	(A) <b>13,237</b>	<b>1,387</b>
<b>INVESTING ACTIVITIES</b>		
Investments in:		
- Tangible assets and investment property	(16,452)	
- Intangible assets with definite life	(9,189)	
- Savings Bonds/Restricted Bank Deposits		(1,032)
Disposal price of tangible, intangible & financial assets	-	
<b>Changes in consolidation scope</b>		
<i>Avio Business combination</i>		
- Price paid	(84,871)	
- Cash and cash equivalents of Avio Group acquired at March 31, 2017	111,585	
	-	
Disposal price financial assets	152,847	
<b>Liquidity generated (employed) in investing activities</b>	(B) <b>153,920</b>	<b>(1,032)</b>
<b>FINANCING ACTIVITIES</b>		
EIB loan drawdown	40,000	
Senior Term and Revolving Facilities Agreement repayment	(90,654)	
Centralised treasury effect with Europropulsion S.A. joint control company	(4,343)	
Repayment / (Issue) of loans to associate Termica Colleferro S.p.A.	-	
Share capital increase and share premium reserve	203	
Dividends attributable to minorities of subsidiaries	(1,920)	
Other changes to financial assets and liabilities	(3,855)	(50)
<b>Liquidity generated (employed) in financing activities</b>	(C) <b>(60,570)</b>	<b>(50)</b>
<b>INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS</b>	(A)+(B)+(C) <b>106,588</b>	<b>305</b>
<b>NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>445</b>	<b>140</b>
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>107,033</b>	<b>445</b>

(1) Period from April 1 to December 31, 2017

## “PRO-FORMA” STATEMENTS

### GROUP RESULTS & EQUITY AND FINANCIAL POSITION

#### Introduction

In consideration of the Avio-Space2 corporate transaction, for comparability of the Group results and equity and financial position for 2017 with 2016, the following “Pro-Forma” tables are presented.

#### Operating results

The “Pro-Forma” table below summarises the comparable operating performances of the Avio Group (in Euro thousands).

	FY 2017 "Pro-Forma"	FY 2016 "Pro-Forma"	Change
Revenues	385,229	339,685	45,544
of which: Pass-through revenues	41,402	47,676	(6,275)
<b>Revenues, net of pass-through revenues</b>	<b>343,827</b>	<b>292,009</b>	<b>51,818</b>
Other operating revenues and changes in inventory of finished products, in progress and semi-finished	5,468	11,370	(5,902)
Costs for goods and services, personnel, other operating costs, net of capitalised costs & pass-through	(313,126)	(281,316)	(31,810)
Effect valuation of investments under equity method - operating income/(charges)	3,079	2,461	618
<b>EBITDA</b>	<b>39,247</b>	<b>24,523</b>	<b>14,724</b>
Amortisation, depreciation & write-downs	(14,226)	(13,727)	(499)
<b>EBIT</b>	<b>25,021</b>	<b>10,797</b>	<b>14,225</b>
Interest and other financial income (charges)	(3,568)	(4,868)	1,300
<b>Net financial charges</b>	<b>(3,568)</b>	<b>(4,868)</b>	<b>1,300</b>
Investment income/(charges)	-	-	-
<b>Profit before taxes</b>	<b>21,453</b>	<b>5,929</b>	<b>15,525</b>
Current and deferred taxes	335	(3,120)	3,455
<b>Group &amp; non-control. interest net profit</b>	<b>21,788</b>	<b>2,809</b>	<b>18,980</b>

In addition to the “Pro-Forma” presentation to neutralise the results from corporate operations, 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 are reported below:

	FY 2017 "Pro-Forma"	FY 2016 "Pro-Forma"	Change
<b>Adjusted EBITDA</b>	<b>46,493</b>	<b>36,411</b>	<b>10,082</b>
Adjusted EBITDA Margin (against revenues net of pass-through revs.)	13.5%	12.5%	
<b>Adjusted EBIT</b>	<b>32,267</b>	<b>22,684</b>	<b>9,582</b>
Adjusted EBIT Margin (against revenues net of pass-through revs.)	9.4%	7.8%	



## Balance Sheet

In the following “Pro-Forma” table, the balance sheet is summarised considering the amounts at December 31, 2017 of the Avio Group post Space2 and Avio S.p.A. merger, compared with the “Pro-Forma” comparative figures which include the effects of the Space2 and Avio S.p.A. merger at December 31, 2016, ensuring their comparability with the December 31, 2017 figures (Euro thousands).

	December 31, 2017	December 31, 2016 "Pro-Forma"	Change
Tangible assets and investment property	74,685	61,789	12,896
Goodwill	61,005	61,005	-
Intangible assets with definite life	117,577	116,064	1,513
Investments	6,347	5,728	619
<b>Total fixed assets</b>	<b>259,614</b>	<b>244,586</b>	<b>15,028</b>
<b>Net working capital</b>	<b>(25,114)</b>	<b>(27,717)</b>	<b>2,603</b>
Other non-current assets	65,521	67,448	(1,927)
Other non-current liabilities	(116,270)	(117,734)	1,464
Net deferred tax assets	76,547	75,236	1,311
Provisions for risks and charges	(16,340)	(24,865)	8,525
Employee benefits	(10,907)	(10,930)	23
<b>Net capital employed</b>	<b>233,052</b>	<b>206,023</b>	<b>27,028</b>
Non-current financial assets	7,440	7,450	(10)
<b>Net capital employed &amp; Non-current financial assets</b>	<b>240,492</b>	<b>213,473</b>	<b>27,018</b>
Net Financial Position	41,714	48,343	(6,629)
Equity	(282,205)	(261,816)	(20,389)
<b>Source of funds</b>	<b>(240,492)</b>	<b>(213,473)</b>	<b>(27,018)</b>

## Financial position

The table below illustrates the net financial position (in Euro thousands):

	Dec 31, 2017	Dec 31, 2016 "Pro-Forma"	Change
Cash and cash equivalents	107,033	87,620	19,413
<b>(A) Liquidity</b>	<b>107,033</b>	<b>87,620</b>	<b>19,413</b>
(B) Current financial assets	-	66,499	(66,499)
<b>(C) Total current financial assets (A+B)</b>	<b>107,033</b>	<b>154,119</b>	<b>(47,085)</b>
Financial payables on interest rate hedges		(312)	312
Current financial payables to companies under joint control	(25,259)	(13,850)	(11,409)
<b>(D) Current financial liabilities</b>	<b>(25,259)</b>	<b>(14,162)</b>	<b>(11,098)</b>
Current portion of non-current bank payables	(60)	(91,615)	91,555
<b>(E) Current portion of non-current financial payables</b>	<b>(60)</b>	<b>(91,615)</b>	<b>91,555</b>
<b>(F) Current financial debt (D+E)</b>	<b>(25,319)</b>	<b>(105,776)</b>	<b>80,457</b>
<b>(G) Net current financial position (C+F)</b>	<b>81,714</b>	<b>48,342</b>	<b>33,371</b>
Non-current portion of bank payables	(40,000)	-	(40,000)
<b>(H) Non-current financial liabilities</b>	<b>(40,000)</b>	<b>-</b>	<b>(40,000)</b>
<b>(I) Net non-current debt (H)</b>	<b>(40,000)</b>	<b>-</b>	<b>(40,000)</b>
<b>(J) Net Financial Position (G-I)</b>	<b>41,714</b>	<b>48,342</b>	<b>(6,629)</b>