



Investor Presentation

Industrial Day - Milan, 6 September 2017

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Introducing Avio



- 50 years in Space Launchers
- European expert in *Solid Propulsion*
- Prime Contractor of *Vega* (10 consecutive successful flights)
- Partner to *Ariane*
- 850 employees
- 300 M€ revenues
- Listed on the Milan Stock Exchange
- Market Cap. 320M€

The Launchers segment represents the gateway to Space



Global space value chain (2016)



(1): Includes launcher manufacturing and launch service activities

(2): Commercial services revenues only

Sources: based on Satellite Industry Association (2016)

Growing demand for Space launch, competitive environment



Falcon 9

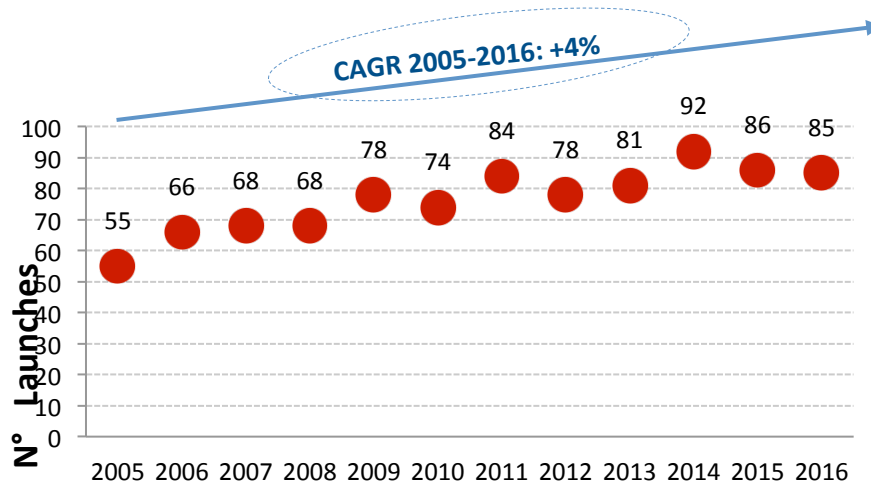


Soyuz



Ariane

History of Space launches (2005-2016)



Proton



PSLV



Vega

LAUNCH ACTIVITIES 2006-2016

	RUSSIA	USA	CHINA	EUROPE	INDIA	JAPAN
Tot. launches	302	205	158	90	36	31
Failure rate %	5%	4%	3%	1%	11%	0%

Source: the Space Launch Report

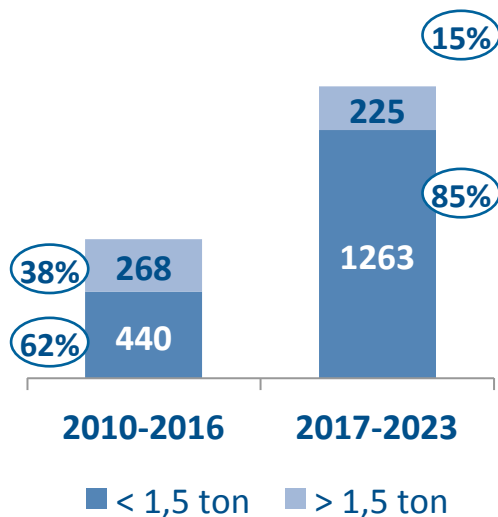
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Launch demand for small satellites is booming



Satellite market

Nr. satellites by mass (2010 - 2023)



Application

- Mass: **>1,5 ton**
- Application: **Traditional Communication**



- Example of operators:



Orbit / launch service

Higher orbit reached by heavy launchers



- Mass: **<1,5 ton**
- Application: **Innovative Earth Observation and Comms constellations**



- Example of operators:



Lower orbit serviced with light launchers

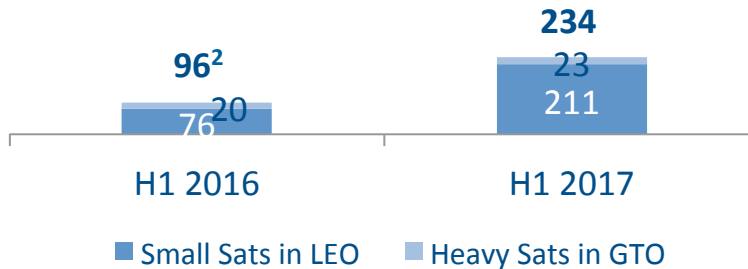


Source: LCA elaboration on Space Launch Report, Gunther, Spaceworks and OECD data

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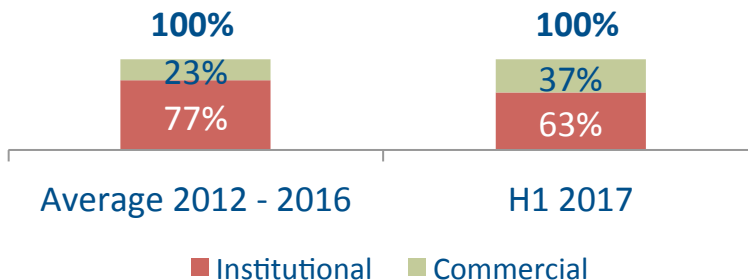
Latest data showing significant demand shifts towards small/LEO and commercial satellites

Nr. satellites by mass/orbit¹ (1H 2017 vs 1H 2016)



- Significant increase in **total nr. of satellites launched (+145%)**
- Nr. of **small satellites** flown in H1 2017 **three times as many** as in H1 2016

Institutional vs Commercial launches



- Growing demand **share from commercial customers**

¹ Excluding satellites in LEO with mass > 1,5 ton (12 in H1 2016 and 8 in H1 2017)

² Excluding 6 satellites in MEO

Source: Space Launch Report, Gunther

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Major new Constellations in LEO driving growth

Mega Constellations



Mission: create an affordable global gateway

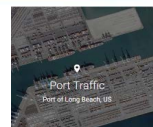
Application: Global Communication from LEO orbits

Nr. of Satellites: 648 small satellites (150 Kg)

Commercial Services:

- Internet for rural and uncovered areas
- In-Flight Connectivity
- Disaster response service

Funding: \$1.7B in 3 rounds from 10 investors (\$1B from Softbank)



Mission: make EO data access easy and affordable

Application: Earth Observation from LEO orbits

Nr. of Satellites: 45 small sats (120 Kg), 210 cubesats (5 Kg)

Commercial Services:

- Climate monitoring
- Crop yield prediction
- Urban planning & construction project monitoring
- Disaster response

Funding: \$183M

Constellations



Mission: power to see the Earth clearly and in new ways

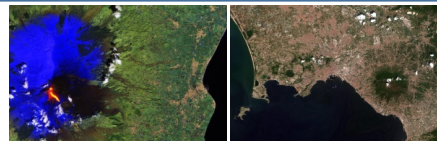
Application: Earth Observation from LEO orbits

Nr. of Satellites: 5 active sats (up to 30 cm res) + 4 under development

Commercial Services:

- Land use
- Urban monitoring & homeland security
- Disaster response

Funding: Listed on the NYSE (market cap \$2,07B)



Mission: provide accurate, timely and accessible EO info

Application: Earth Observation from LEO orbits

Nr. of Satellites: at least 14 dedicated sats + contr. missions

Institutional Services:

- Climate monitoring
- Land use, urban monitoring & homeland security
- Disaster response

Funding: €6.7B (67% EU and 33% ESA)

Avio operates a 300M business across three main product lines



Ariane propulsion

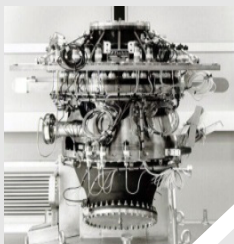
Boosters



Ariane 5

Ariane 6

Turbopumps



Vulcain

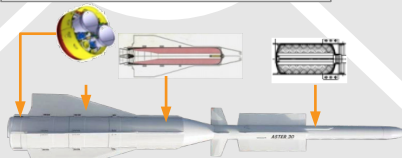
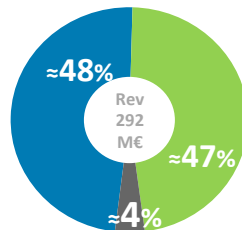
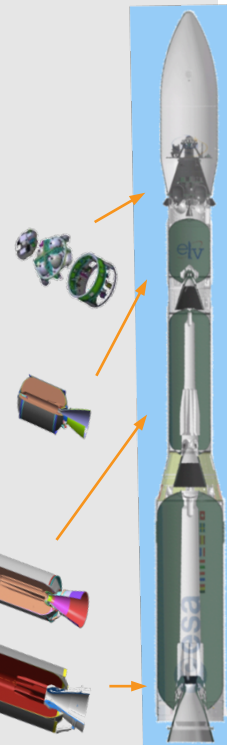
Vinci

Vega launcher



Vega

Vega C



Aster 30

Camm ER

Tactical propulsion

Production Development

EU family of launchers evolving to meet market demand



Perf	10.5 tons in GTO	1.5 tons in LEO	2.3 tons in LEO	6 tons in GTO	11 tons in GTO	3.0 tons in LEO	esa
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Common first stage – P120 C

Today
Ariane 5 / Vega

2019
Vega C

2020
Ariane 62, Ariane 64

2024
Vega E

New modules for Vega to competitively operate in LEO



Funded at the 2016 Ministerial Conference

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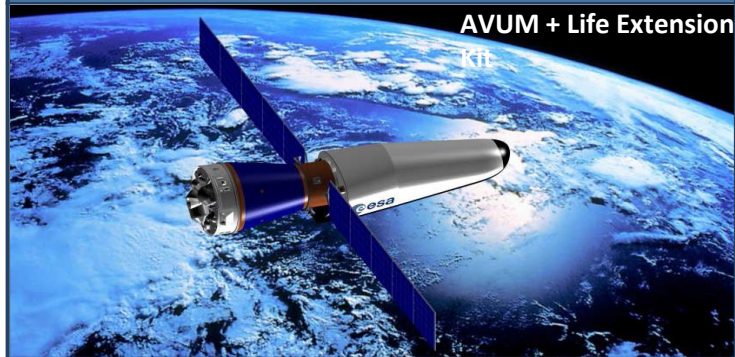
SSMS ("Small Satellite Mission Service") :
solution for multiple launching of small satellites



- In Orbit Testing/In Orbit Validation
- P/L Deployment
- De-orbiting
- Poc flight in 2019
- Call for Opportunity ESA february 2017
- Payload candidate selection in progress



Space Rider:
Re-entry and orbital operations



- Download
- Retrieval
- In Orbit Testing/In Orbit Validation
- Follow up of IXV experience (2015)
- Flight 2020



Getting ready to capture future growth opportunities



*Latest news from the Paris Air Show,
20 June 2017:*

*Airbus Defense and Space and
Arianespace signed the first
commercial contract for 2 Vega C
launches (2020 and 2021) to carry a
total of 4 hi-resolution optical
satellites replacing the currently
active optical constellation
“Pleiades”*



Vega C



First Z40 getting
ready for STF in
Nov 2018



First P120
shipped to
Kourou
STF in March
2018



P120 new plant

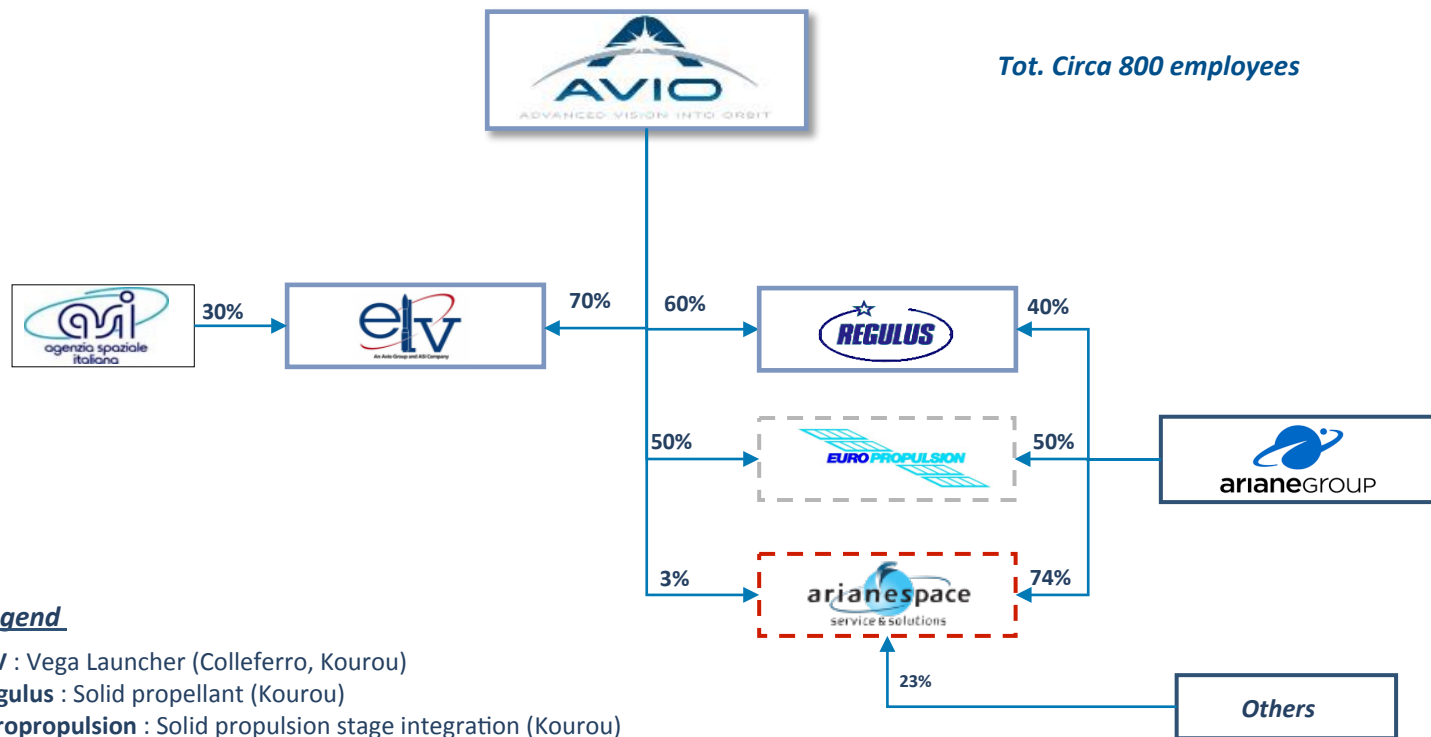


Z40



P120

Avio : Group structure



Fully consolidated

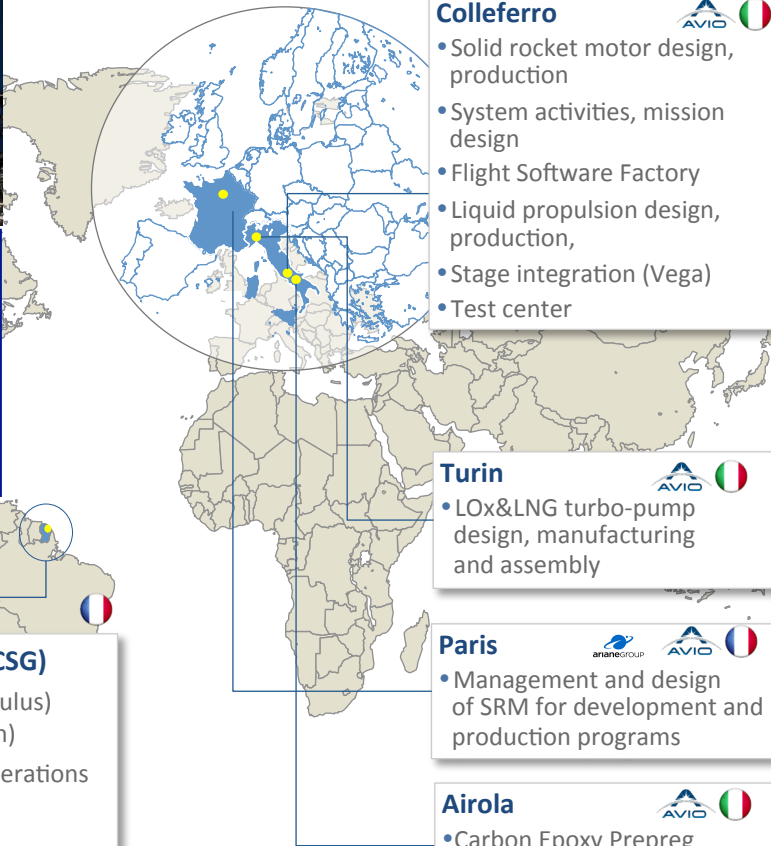


Non Consolidated company



Consolidated with equity method

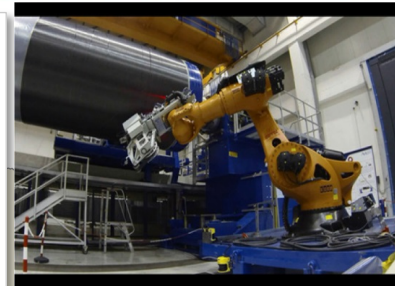
Avio is part of the EU critical space infrastructures



Colleferro



- Solid rocket motor design, production
- System activities, mission design
- Flight Software Factory
- Liquid propulsion design, production,
- Stage integration (Vega)
- Test center



Turin



- LOx&LNG turbo-pump design, manufacturing and assembly



Paris



- Management and design of SRM for development and production programs



Airola



- Carbon Epoxy Prepreg manufacturing and testing

Kourou European Spaceport (CSG)

- Solid rocket motor casting (Regulus) and integration (Europropulsion)
- Vega integration and launch operations (Mobile Gantry)



Colleferro : product manufacturing and key technology development – getting ready for future growth



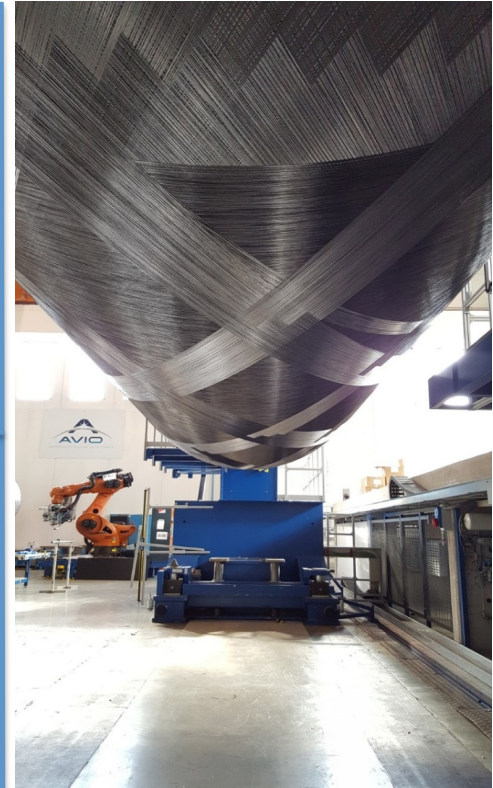
- New plant for P120 in progress (Ariane 6 and Vega C core propulsion technology)



- P120 IMC* completed (world's largest carbon fibre monolithic solid rocket motor case – 142ton)



- LOx-CH upper stage engine (under develop.)

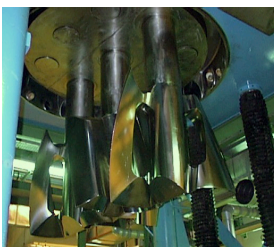


- First P80 winding with new Avio carbon fibre prepreg material HXE23® (P120, P80, Z40, Z9)

French Guyana : key role in industrial operations at the European Spaceport



Casting



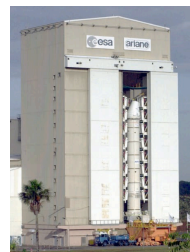
Propellant Preparation



Equipment integration



Segment assembling



Stage delivery



Launch Vehicle Integration



Spaceport (Kourou)

- Solid rocket motor casting and integration
- Vega integration and launch operations

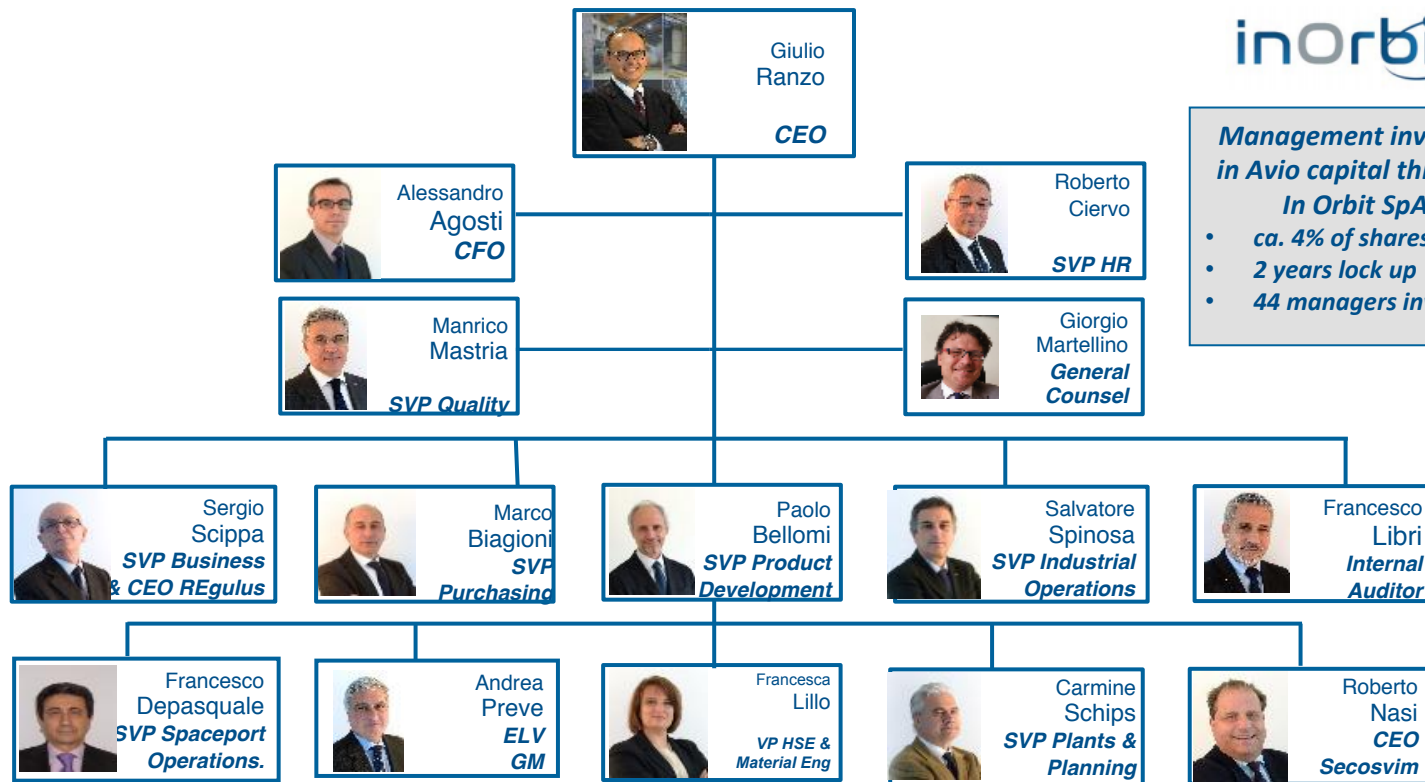
Skilled and experienced management team



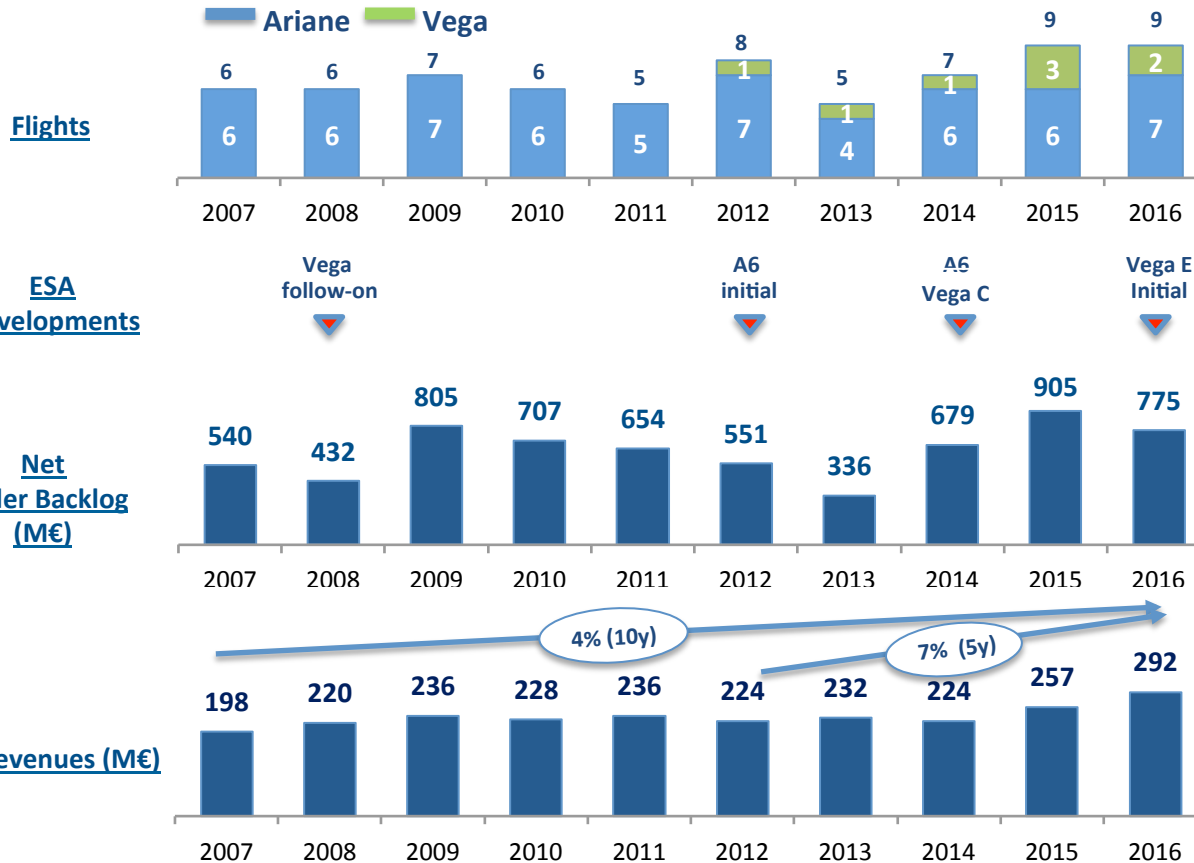
inOrbit

**Management invested
in Avio capital through
In Orbit SpA**

- *ca. 4% of shares*
- *2 years lock up*
- *44 managers involved*



10 years growth trend in review : accelerating revenues and 3 years visibility



Comments

Growing flight rates

Growing frequency of devel. funding

Cyclical order backlog
~3yrs visibility

Accelerating revenue growth

Economic Highlights FY 2016

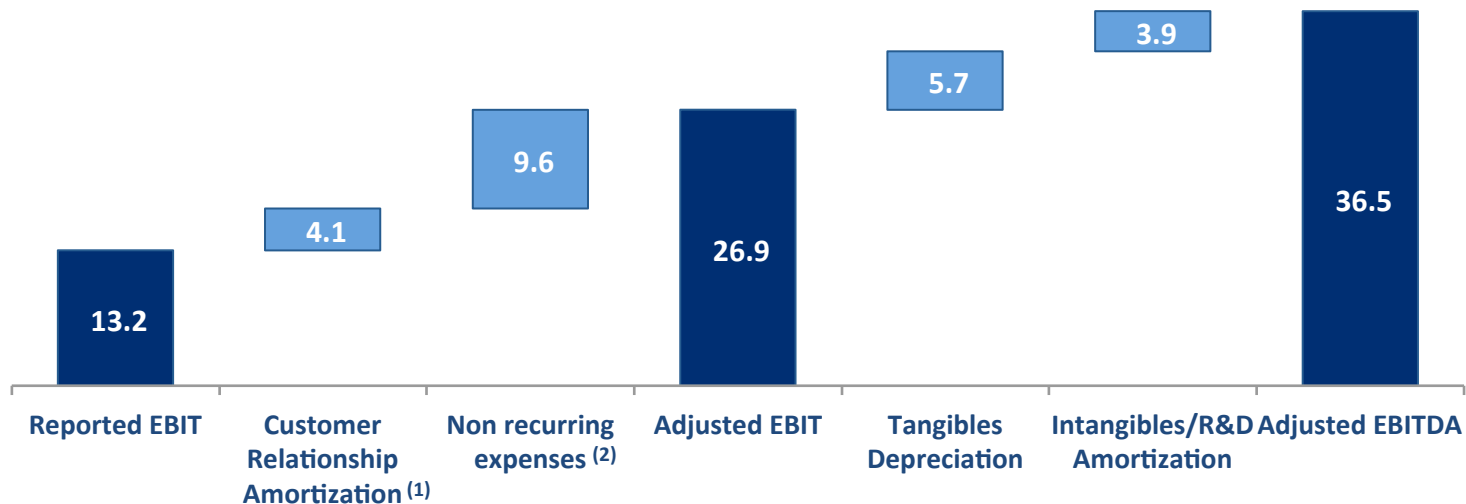


MAIN ECONOMICS	FY 2015 ACTUAL	FY 2016 ACTUAL	DELTA	
€ - M	€ - M	€ - M	€ - M	Comments
NET ORDER BACKLOG	905,4	775,1	(130,3)	2015 record high backlog, 2016 revenue acceleration
NET REVENUES	257,4	292,0	34,6	Double digit growth on 2016
EBITDA REPORTED	27,9	26,9	(1,0)	Different mix of dev. activities (plant constr.) and non recurring costs
% on net revenues	10,8%	9,2%		
EBITDA ADJUSTED	35,5	36,5	1,0	EBIT structural improvement after completion of Vega development phase
% on net revenues	13,8%	12,5%		
EBIT REPORTED	10,5	13,2	2,7	
% on net revenues	4,1%	4,5%		
EBIT ADJUSTED	22,2	26,9	4,7	In 2016 full impact of debt interests (vs.7 months only accrued interest in 2015) and additional one-off cost for debt early repayment
% on net revenues	8,6%	9,2%		
FINANCIAL EXPENSES	(3,3)	(6,9)	(3,6)	
% on net revenues	-1,3%	-2,4%		
TAXES / OTHER	(1,8)	(3,1)	(1,3)	Net income FY 2016 impacted by non recurring financial expenses and costs
% on net revenues	-0,7%	-1,2%		
NET INCOME	5,4	3,1	(2,3)	
% on net revenues	2,1%	1,2%		

EBIT/EBITDA adjustments for non recurring items



2016 Adjusted EBIT and Adjusted EBITDA (€ - M)



(1) It represents the amortization of the intangibles deriving from the establishment of commercial relations with customers and partners, acquired under the implementation of production and development programs. Specifically, the asset arose from the 2007 purchase price allocation of the acquisition cost borne in 2006 by Cinven for the purchase of Avio shares. The amortization will be over in 2021

(2) It includes 2016 IPO fees and Space2-Avio business combination costs, investor fees, fiscal and legal advisory expenses and one-off management incentive plan

Balance Sheet Highlights at 31 December 2016

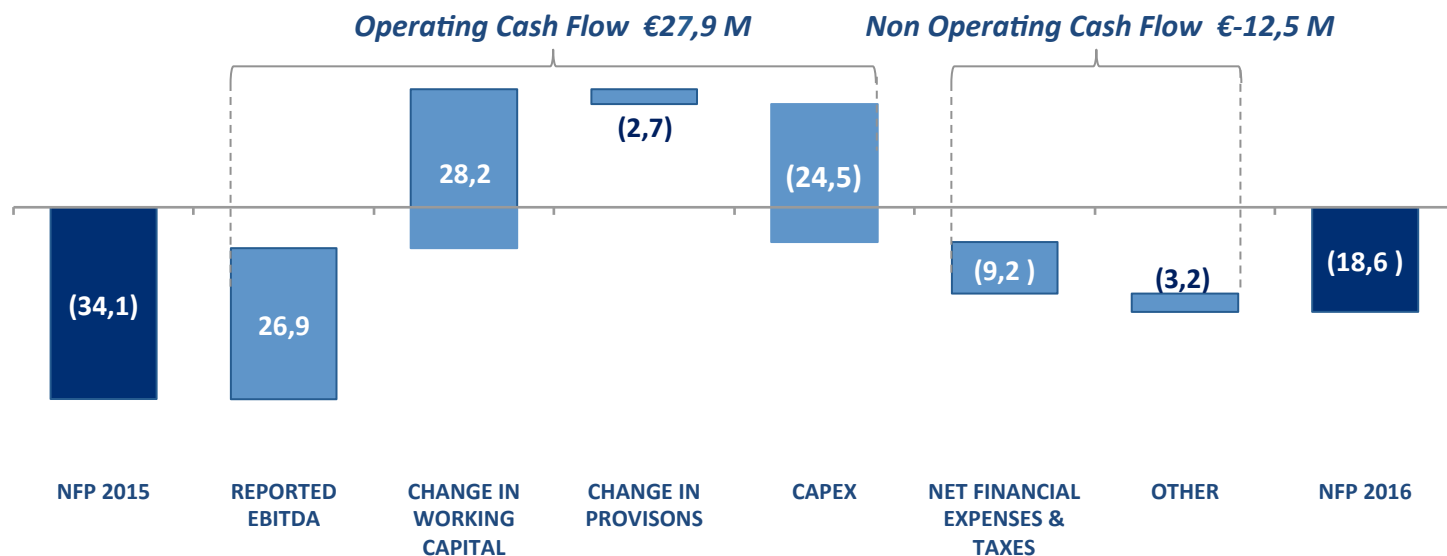


31 DEC 2015 ACT	MAIN SOURCES AND USES	31 DEC 2016 ACT	DELTA	
€ - M		€ - M	€ - M	
(50,0)	WORKING CAPITAL	(78,2)	(28,2)	Structurally negative WC
56,8	DEFERRED TAX ASSETS	56,1	0,7	Significant tax assets
(38,3)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(35,8)	2,5	
367,9	FIXED ASSETS	379,2	11,3	Includes Goodwill
6,5	FINANCIAL RECEIVABLES	7,4	0,9	
342,9	NET INVESTED CAPITAL	328,7	(14,2)	
(34,1)	NET FINANCIAL POSITION	(18,6)	15,5	Positively impacted by operating cash flow
(308,8)	EQUITY	(310,1)	(1,3)	
(342,9)	TOTAL SOURCES	(328,7)	14,2	

Net Financial Position



NFP evolution and cash flows (€ - M)



Avio Q1 economic and financial highlights



Q1 2016 ACTUAL	CAPTIONS	Q1 2017 ACTUAL	Delta	Delta	Comments
€ - M		€ - M	€ - M	%	
45,3	NET REVENUES	59,9	14,6	32%	• Vega production and Ariane devel. (P120, new plants)
5,1 11,3%	EBITDA ADJUSTED <i>% on net revenues</i>	5,4 9,0%	0,3	5%	• Slightly improved fixed costs impact
1,8 4,0%	EBIT ADJUSTED <i>% on net revenues</i>	2,8 4,7%	1,0	54%	• End of amortization of certain R&D items (completion in 2016)
31 DEC 2016 ACTUAL		31 MAR 2017 ACTUAL	Delta	Delta	
€ - M		€ - M	€ - M	%	
(18,6)	NET FINANCIAL POSITION	(11,5)	7,1	38%	• Improved over 2016 Year End thanks to operating cash flow

Steps of the Space2 – Avio business combination and listing on the Milan Stock Exchange



31 March 2017

- Space2 S.p.A., Leonardo S.p.A. and In Orbit S.p.A. purchased 85.68% of share capital of Avio S.p.A. from Cinven
- Space2 S.p.A. purchased 55.15% for a total consideration of about €85.1M. This reduced its NFP from € 304.6M to €219.5M

5 April 2017

- Demerger of Space2 S.p.A. with contribution of cash and cash equivalents of €152.8M from Space2 S.p.A. to Space3 S.p.A.. This reduced the NFP of Space2 S.p.A. from €219.5M to €66.7M
- Such demerger has been reported “pro-forma” at 31 March 2017 in order to obtain the net contribution of Space2 S.p.A. to the merger with Avio S.p.A.

10 April 2017

- Merger of Avio S.p.A into Space2 S.p.A. which has been renamed Avio S.p.A.
- Such merger has been reported “pro-forma” at 31 March 2017 in order to obtain the financials of the merged company also at 31 March 2017 for future comparative purposes

«Pro-forma» Avio Group+Space2 Q1 economic and financial highlights post business combination and listing



CAPTIONS	AVIO GROUP	SPACE2 S.p.A. ("PRO-FORMA")	AVIO GROUP + S2 "PRO-FORMA"	Comments
	Q1 2017 ACTUAL	Q1 2017 ACTUAL	Q1 2017 ACTUAL	
	€ - M	€ - M	€ - M	
NET REVENUES	59.9	-	59.9	<ul style="list-style-type: none"> All Space 2 costs reported as non-recurring items directly related to the execution of the transaction
ADJUSTED EBITDA	5.4	-	5.4	
% on net revenues	9.0%	n.a.	9.0%	
ADJUSTED EBIT	2.8	-	2.8	
% on net revenues	4.7%	n.a.	4.7%	<ul style="list-style-type: none"> Positive effect of of the merger essentially on the net financial position
	31 MAR 2017 ACTUAL	31 MAR 2017 ACTUAL	31 MAR 2017 ACTUAL	
	€ - M	€ - M	€ - M	
NET FINANCIAL POSITION	(11.5)	66.7	55.2	



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