



Investor Presentation

Investor day – Frankfurt, 25 January 2018

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Avio : a European leader in Space Transportation



- 50 years in Space Launchers
- Prime Contractor of *Vega* (EU light launcher)
- Partner to *Ariane* (EU heavy launcher)
- 850 employees, 300 M€ revenues
- Listed on the Milan Stock Exchange, 370M€ Market Cap
- 63% free float, no controlling shareholder
- Management invested with 4% share

The Launchers segment represents the gateway to Space

Global space value chain (2016)



(1): Includes launcher manufacturing and launch service activities

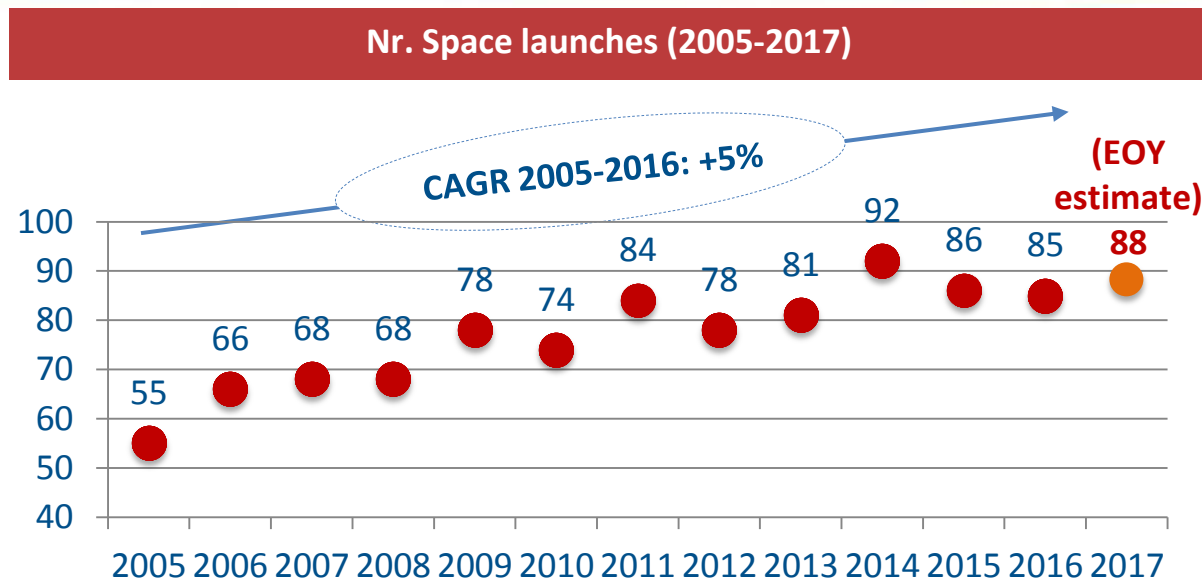
(2): Commercial services revenues only

Sources: Satellite Industry Association (2016)

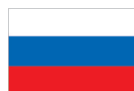
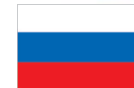
Growing demand for Space launch, competitive environment



Falcon 9



Proton



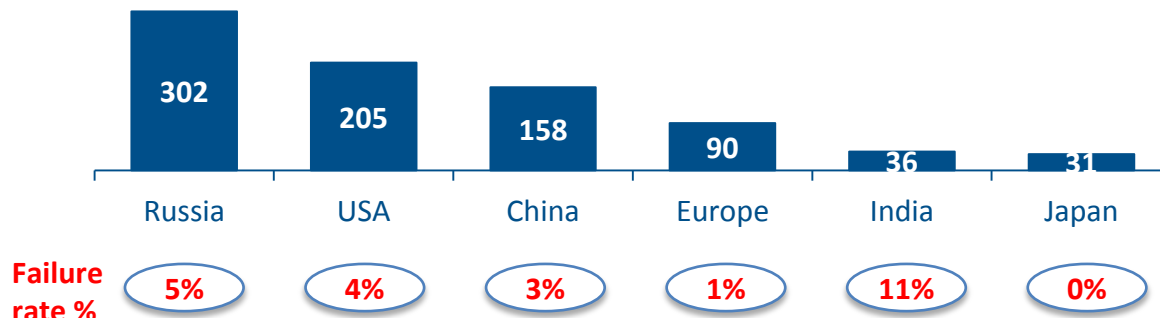
Soyuz



PSLV



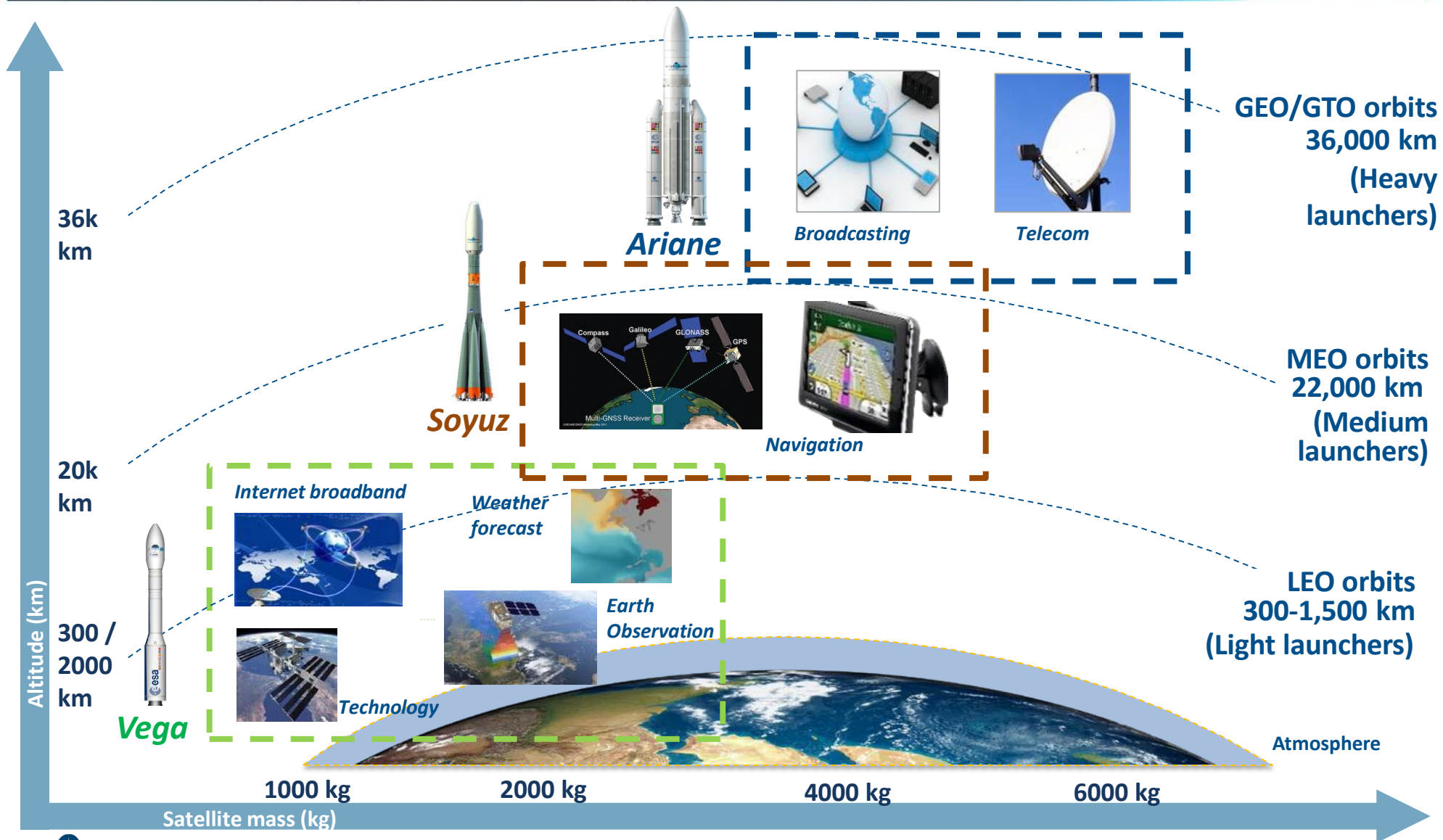
Ariane



Vega



Different launchers to deliver satellites to different orbits for different applications



The Space launch service has two main market segments



Geostationary Transfer Orbit

Altitude 36,000km



520+ Satellites*

- **Applications :** Broadcasting, Telecoms
- **Avg Satellite mass :** 5,000 kg
- **Avg Service life:** 12-15 years
- **Avg # launches / year (worldwide) :** 36

Nr. Sats > 1.5 ton in GTO



Low Earth Orbit

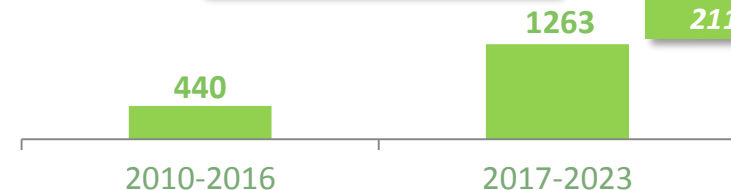
Altitude 500-2,000km



804+ Satellites*

- **Applications:** Earth obs., Internet, Science
- **Avg Satellite mass :** 50 Kg – 1000 kg
- **Avg Service life:** 3-7 years
- **Avg # launches / year (worldwide) :** 33

Nr. Sats < 1.5 ton in LEO



Small sats launched:
76 in H1 2016
211 in H1 2017

A diversified business mix

By lines of business

Ariane 5 - EU Heavy launcher (*Industrial partner*)
48% of Revenues*

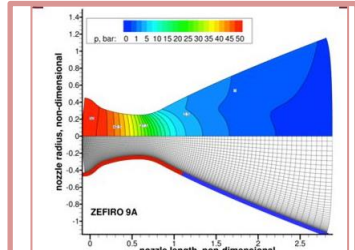
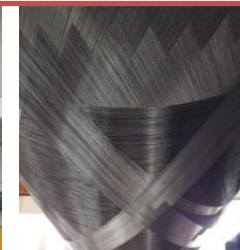
Vega - EU Light launcher (*Prime Contractor*)
48% of Revenues*



By type of activity

Production
75% of Revenues

Development
25% of Revenues



* 4% of Revenues generated by tactical line of business

Value chain of development phase

NOT EXHAUSTIVE
SIMPLIFIED

Product policy

Funding (georeturn)

Development



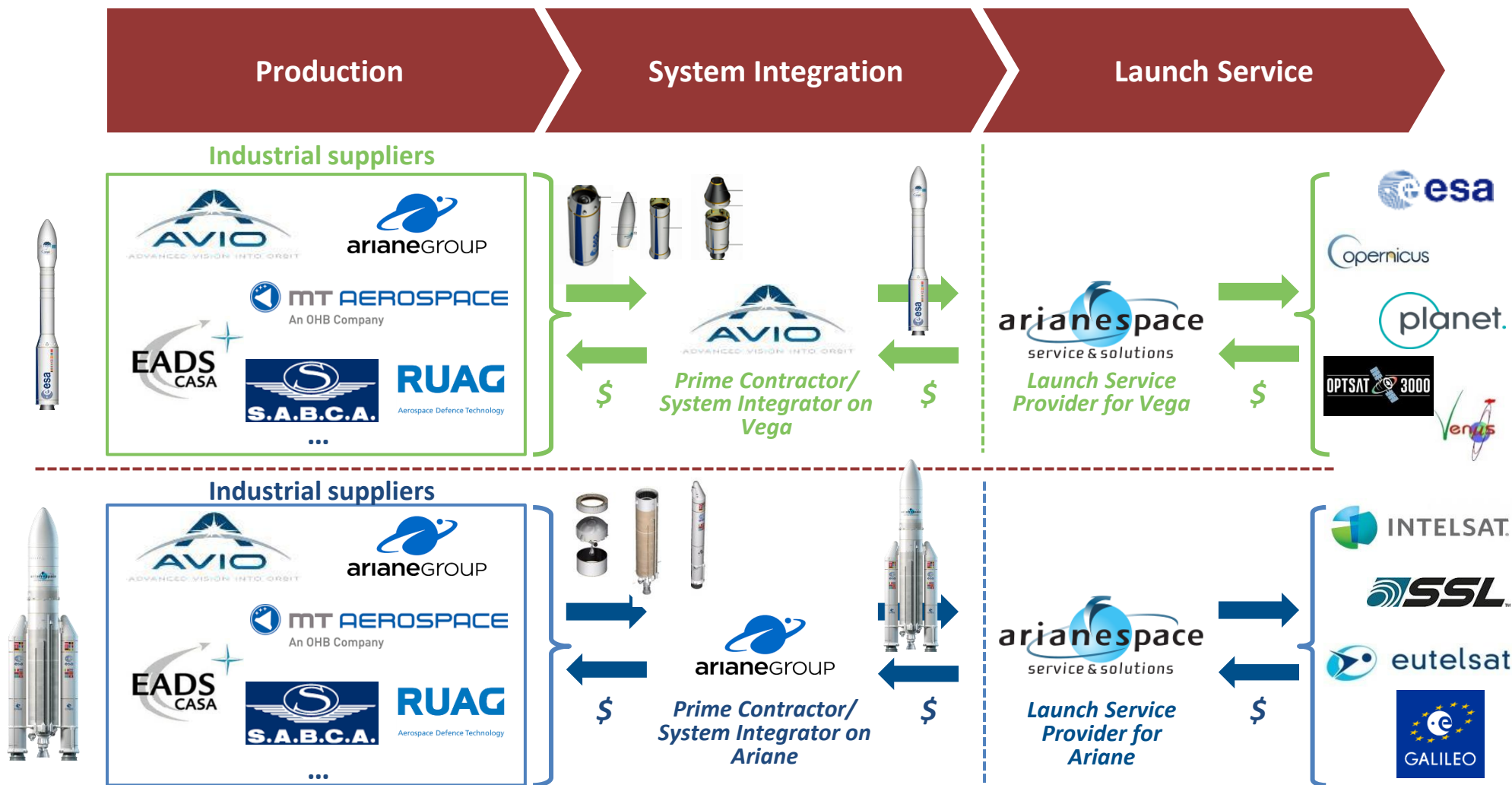
Main EU industrial players



...

Value chain of production/exploitation phase

NOT EXHAUSTIVE
SIMPLIFIED



2017 flight activity



Flight&Production activity

6 successful launches in 2017 and 82 consecutive successful flights



3 successful launches in 2017, 11 in a row (5 launches in 14 months)



EU family of launchers evolving to meet new market demand for flexibility and cost competitiveness



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
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Common first stage – P120 C

Today
Ariane 5 / Vega

2019
Vega C

2020
Ariane 62, Ariane 64

2024
Vega E

Growing customer confidence on the new Vega C while its development achieves concrete progress in 2017



Vega C



Commercial achievements



- *Contract signed for «Batch 3» order of 10 Vega/Vega C launchers in 2019-2021*



- *2 Vega C launches (2020 and 2021) to carry 4 hi-resolution optical satellite*



- *1 Vega C launch in 2021 to carry the new ASI COSMO SkyMed satellite*

Industrial achievements



P120 new plant



Z40 IMC



Z40 nozzle assembled



P120 IMC

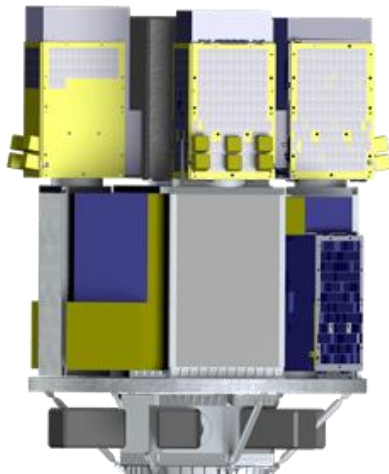


P120 casting (LMC)

Vega offering also being expanded with advanced solutions for extended LEO missions



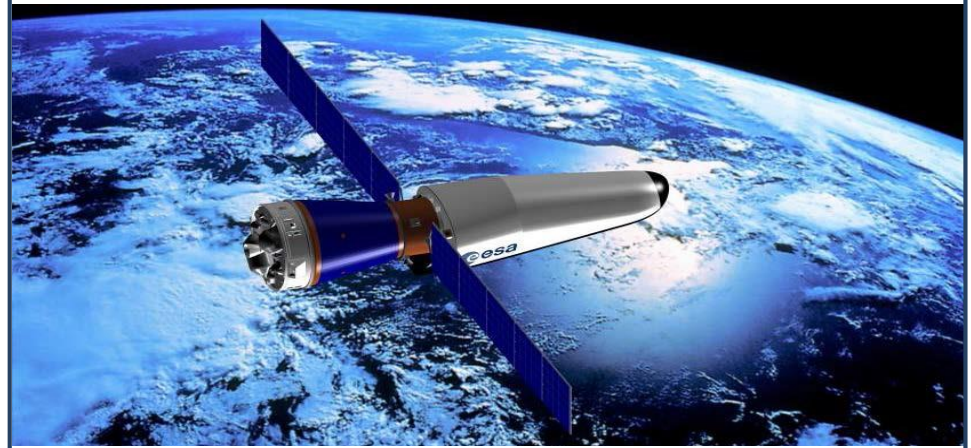
SSMS – "Small Satellite Mission Service"



- P/L deployment in multiple orbital planes
- PoC flight in 2019



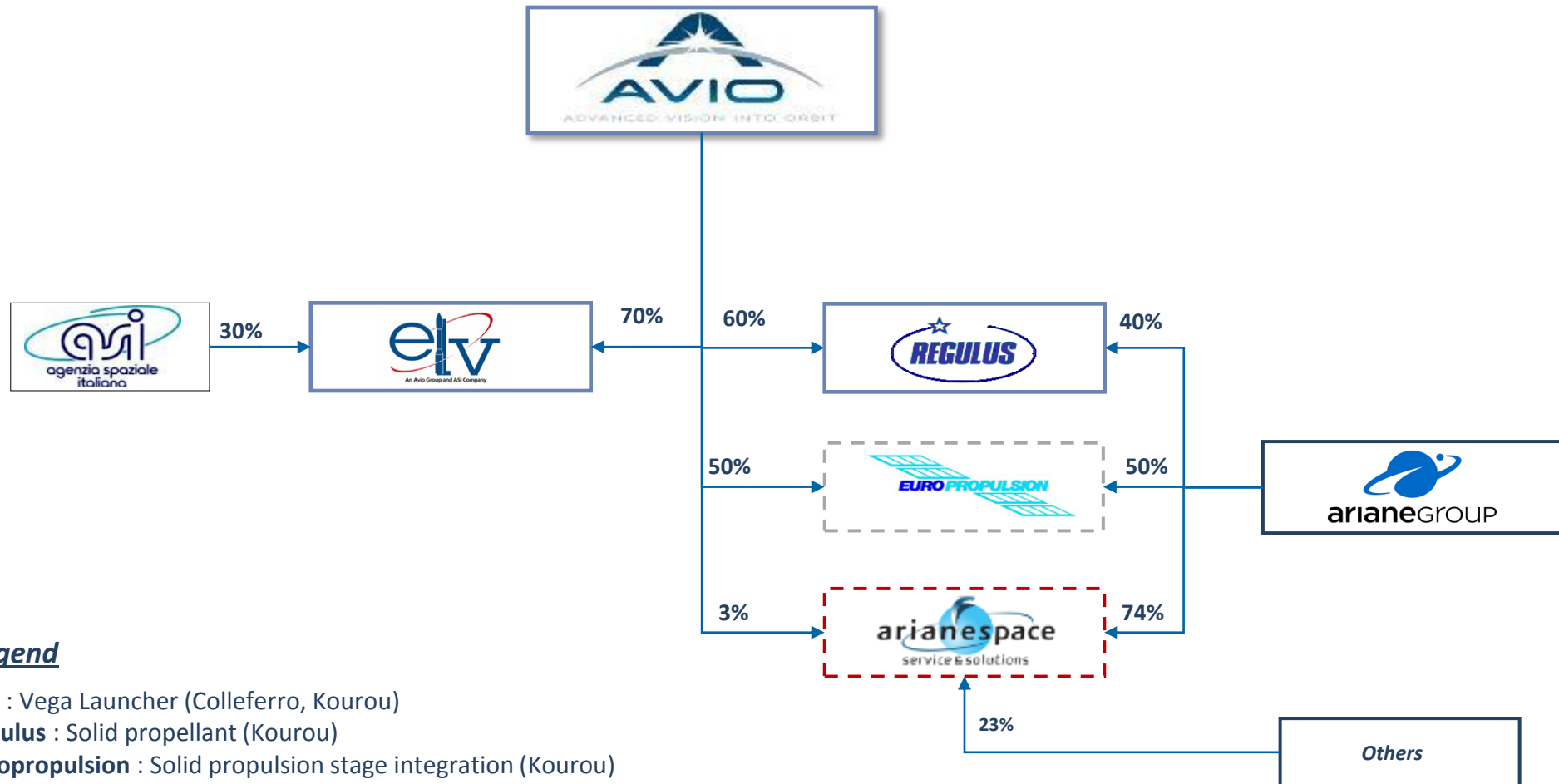
Space Rider – Launch, orbiting and re-entry



- Download and retrieval
- Follow up of IXV experience (2015)
- Flight 2020



Avio : Group structure



Legend

ELV : Vega Launcher (Colleferro, Kourou)

Regulus : Solid propellant (Kourou)

Europropulsion : Solid propulsion stage integration (Kourou)

Arianespace : Ariane&Vega commercialization (Evry, Kourou)



Fully consolidated



Non Consolidated company



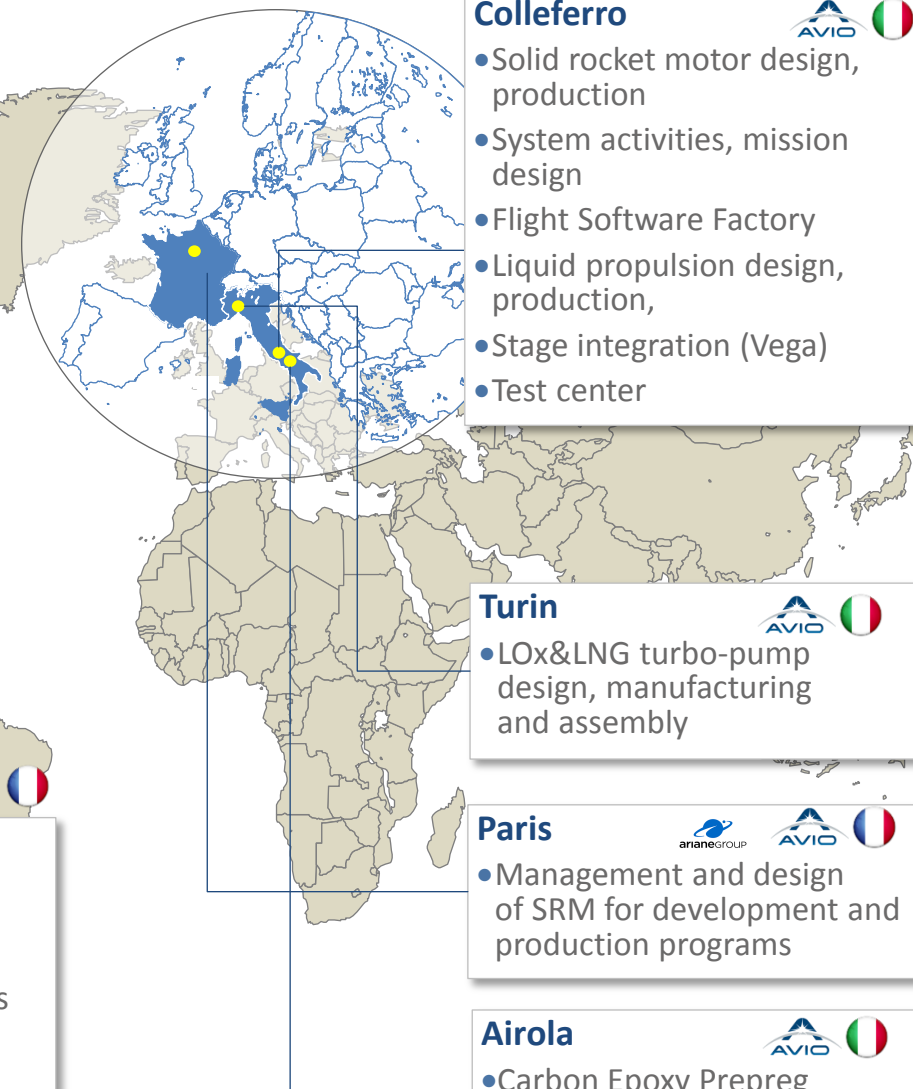
Consolidated with equity method

Avio is part of the EU critical space infrastructures



Kourou European Spaceport (CSG)

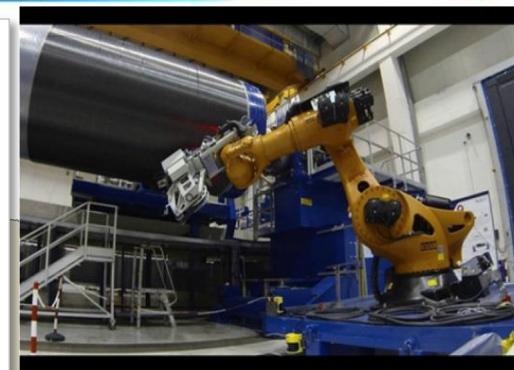
- Solid rocket motor casting (Regulus) and integration (Europropulsion)
- Vega integration and launch operations (Mobile Gantry)



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



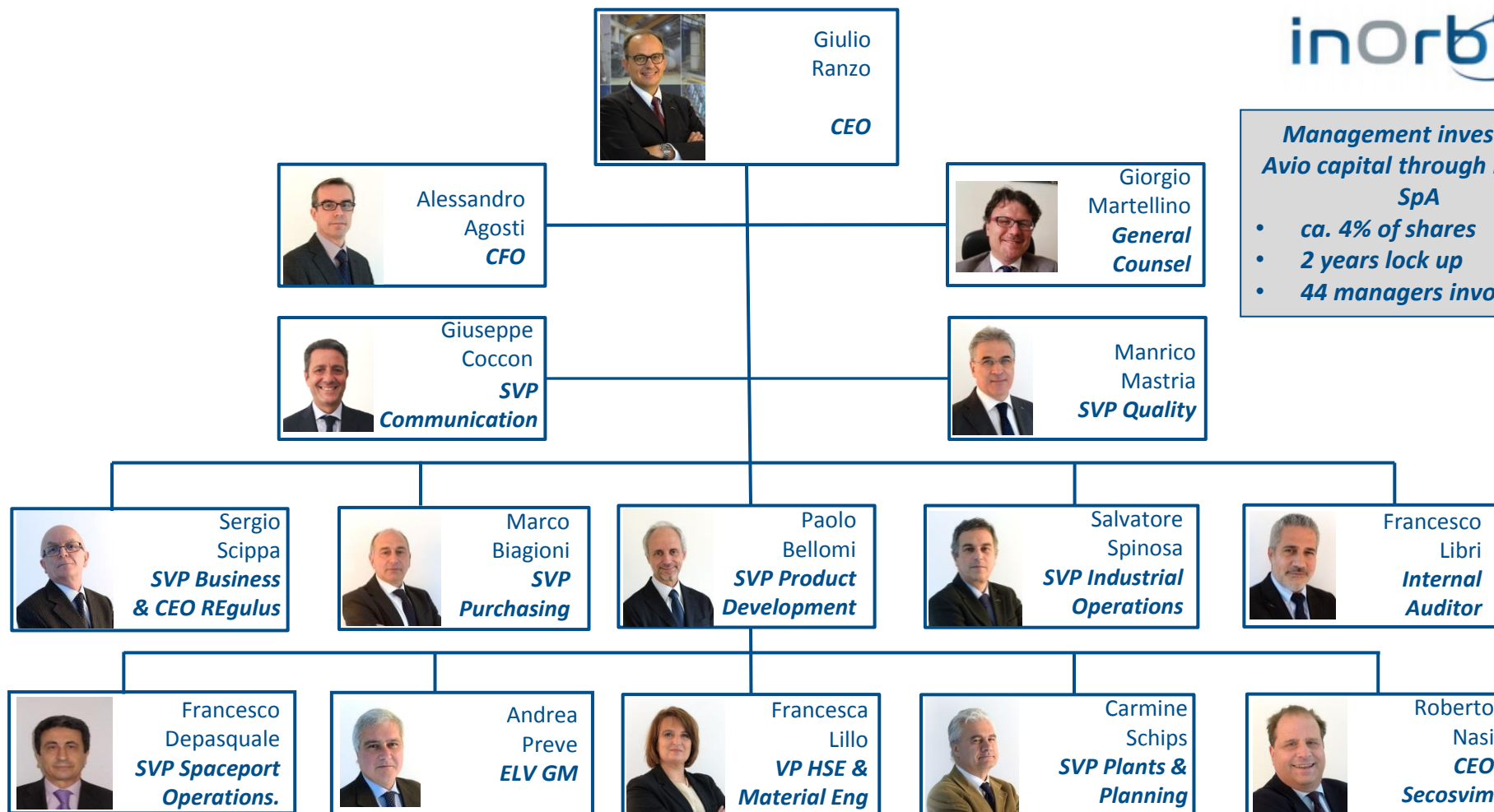
Skilled and experienced management team, invested in the capital structure through the In Orbit investment vehicle



inOrbit

Management invested in Avio capital through In Orbit SpA

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



Growing environment



MAIN ECONOMICS	FY 2015	FY 2016	9M 2017 ⁽¹⁾	DELTA FY 16 - FY 15	DELTA 9M 17 - 9M 16	
€ - M	€ - M	€ - M	€ - M	%	%	Comments
NET ORDER BACKLOG	905	775	<i>Undisclosed</i>	-14%	<i>Undisclosed</i>	• Cyclical
NET REVENUES	257.4	292.0	228.4	+ 13%	+ 20%	• Accelerating growth
EBITDA ADJUSTED	35.5	36.5	23.5	+ 3%	+ 9%	• Gross profit growth
EBIT ADJUSTED	22.2	26.9	15.7	+ 21%	+ 27%	• Structural growth

(1) Pro-Forma figures to compare on a “like-for-like” basis the financials in light of the business combination

Strong financials



MAIN FINANCIALS	FY 2016 ⁽¹⁾	6M 2017 ⁽¹⁾	
€ - M	€ - M	€ - M	Comments
WORKING CAPITAL	(78.2)	(77.4)	Structurally negative
DEFERRED TAX ASSETS	81.2	82.0	Significant tax assets
FIXED ASSETS	158.2	158.3	Low level of resources invested
NET FINANCIAL POSITION	(18.6) ⁽²⁾	35.9	From negative to positive

(1) Pro-Forma figures to compare on a “like-for-like” basis the financials in light of the business combination; 9 months figures undisclosed

(2) Excluding cash from business combination


Competitive and tailored debt structure



Old structure

“Senior Term and Revolving Facilities Agreement”
(1 April 2015):

€95M + €30M revolving
7 year term variable interest rate

- Term Loan B *tranche*  **€65M** outstanding balance **fully prepayed** on 22 May 2017
- Term Loan A *tranche*  **€30M** outstanding balance **fully prepayed** on 5 October 2017
- Revolving *tranche*  **€30M terminated**

New structure

Project financing by the European Investment Bank
(6 October 2017):

€40M
7 year term fixed interest rate

The financing is aimed at supporting the:

- development of new products and technologies related to space propulsion systems through Research and Development activities
- modernization and expansion of the production capacity at the facilities in Colleferro (Rome), the main Avio S.p.A. industrial site in Italy

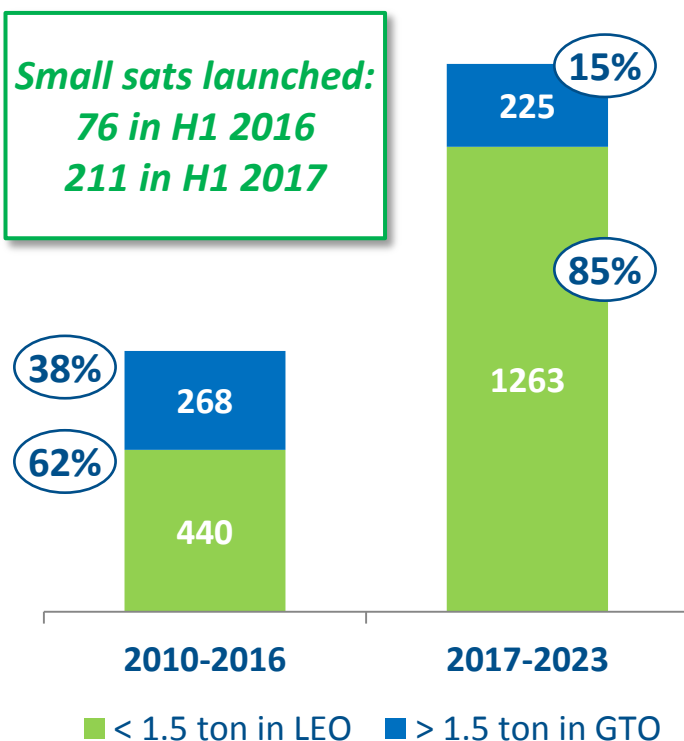
Appendix



Launch demand for small satellites in LEO is booming also driven by the advent of small satellite constellations



Nr. satellites by mass (2010 - 2023)



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

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 Comm constellations**



- Example of operators:



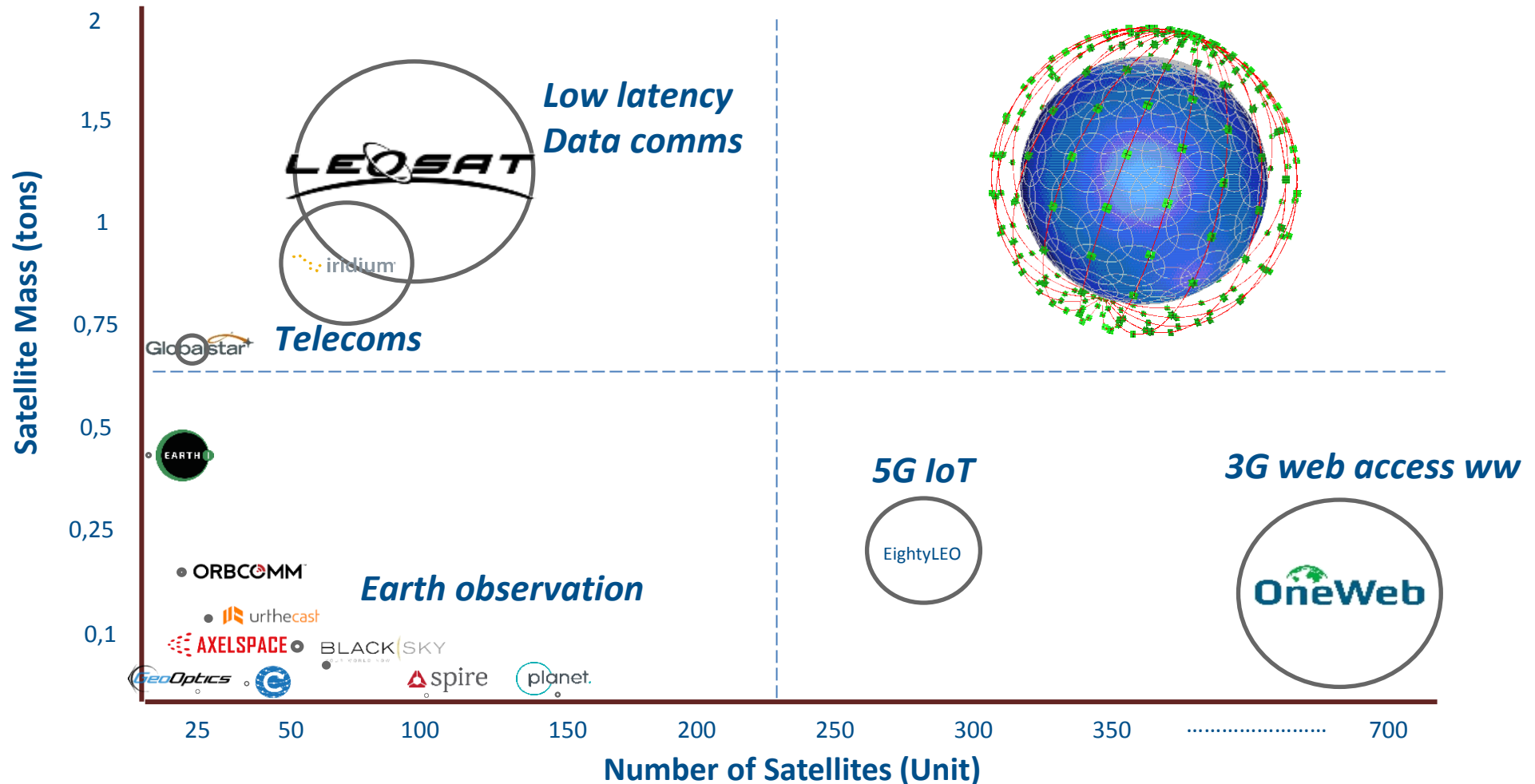
Lower orbit serviced with light launchers



Over 2000 satellites to be launched by 2024 to deploy new constellations in LEO



Satellite Constellations deployment plan (2017-2024)



Sources: Teal WorldWide Mission Model, Analysis of long-term space macro trends, focus launch systems market – BryceTech, LCA Elaboration

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Constellations address demand for new types of satellite services



OneWeb

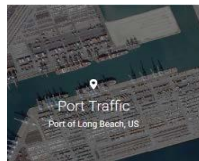


- **Mission:** 3G Internet connectivity worldwide
- **Nr. of Satellites:** 648-900 small satellites (150 Kg)
- **Commercial Services:**
 - Internet for rural and uncovered areas
 - In-Flight Connectivity
 - Disaster response service
- **Funding:** \$1.7B

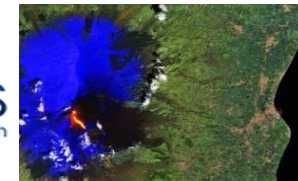
EightyLEO



- **Mission:** 5G connectivity for Internet of things
- **Nr. of Satellites:** 288 small satellites (200 Kg)
- **Commercial Services:**
 - I.O.T. Automotive (self-driving cars, ...)
 - Precision agriculture
 - Transports and logistics
- **Funding:** N/A, series A funding collection in 2017



- **Mission:** Earth images
- **Nr. of Satellites:** 45 sats (120 Kg), 210 cubesats (5 Kg)
- **Commercial Services:**
 - Climate monitoring
 - Crop yield prediction
 - Urban planning & construction project monitoring
 - Disaster response
- **Funding:** \$183M

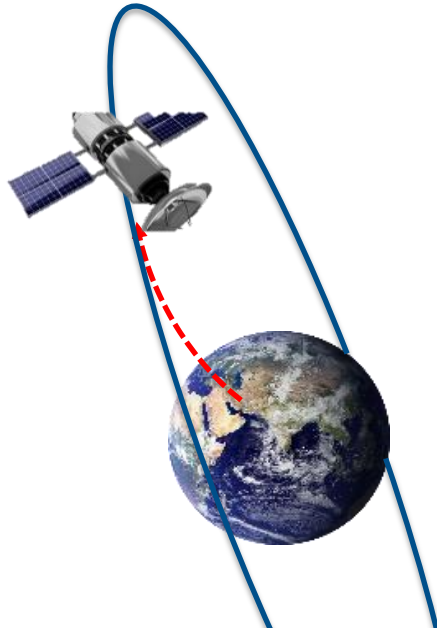


- **Mission:** Earth images
- **Nr. of Satellites:** 20+ dedicated sats
- **Institutional Services:**
 - Climate monitoring
 - Land use, urban monitoring & homeland security
 - Disaster response
- **Funding:** €6.7B (67% EU and 33% ESA)

The growing demand of small sats is changing the approach to the launch service type



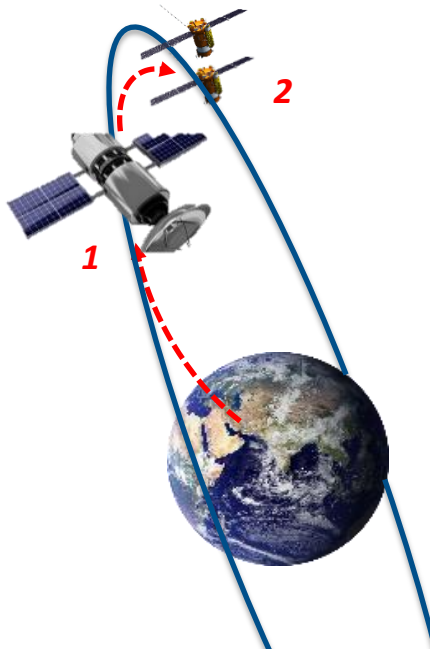
Single/Dual Launch



Yesterday

- Single payload to be dispatched directly to its destination orbit

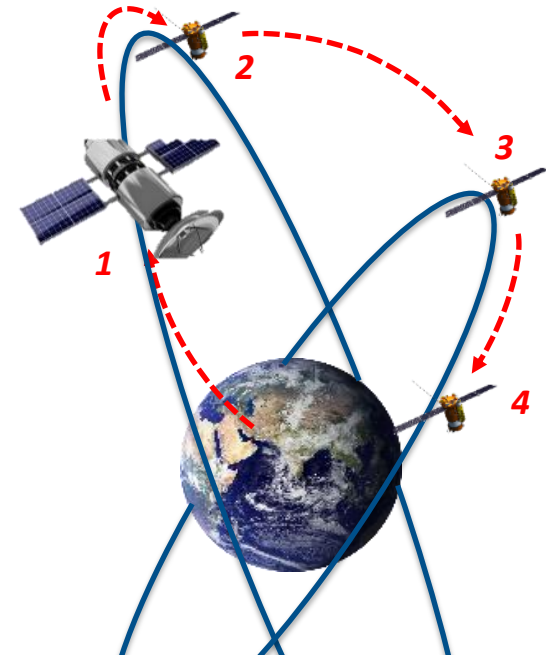
Piggyback Ride



Today

- Smaller payloads to be dispatched on the same orbital plane of the main satellite

“Multi-destination”



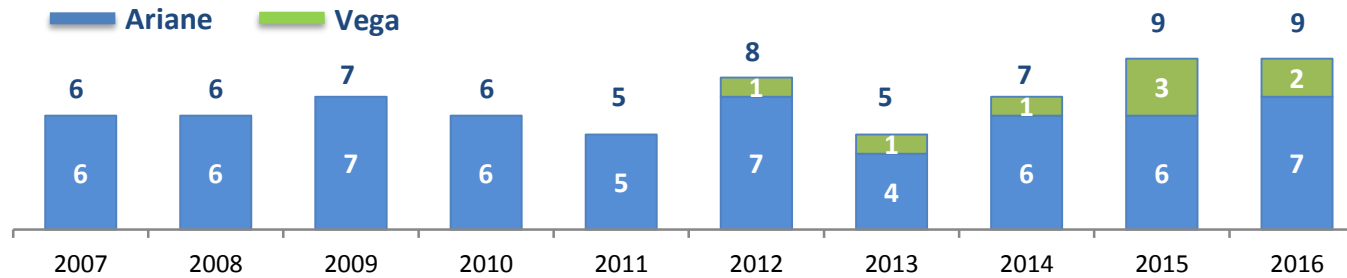
Tomorrow

- Multiple payloads to be deployed to multiple orbital planes

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



Flights



Comments

Growing flight rates

ESA Developments

Vega follow-on
▼

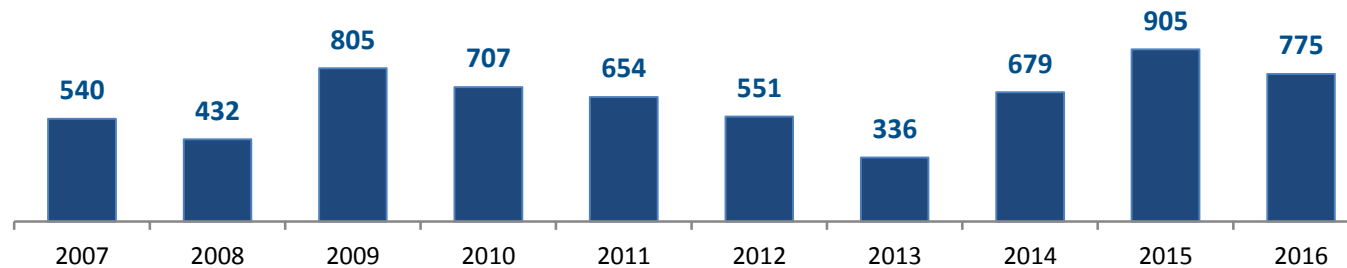
A6 initial
▼

A6 Vega C
▼

Vega E Initial
▼

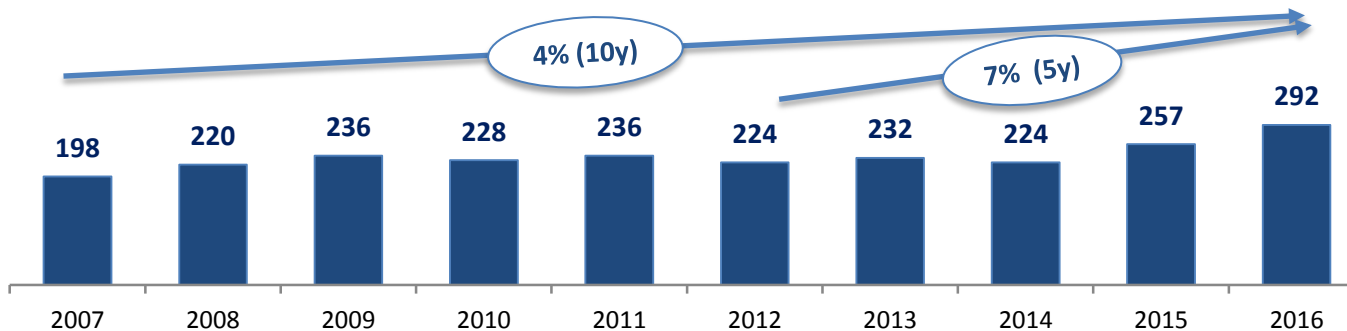
Growing frequency of devel. funding

Net Order Backlog (M€)



Cyclical order backlog ~3yrs visibility

Net revenues (M€)



CAGR

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)	Effect of revenue acceleration
NET REVENUES	257.4	292.0	34.6	Double digit growth on 2016
EBITDA ADJUSTED <i>% on net revenues</i>	35.5 13.8%	36.5 12.5%	1.0	Lower impact of fixed costs (higher volumes) and development activities including sub-contracted plant construction
EBITDA REPORTED <i>% on net revenues</i>	27.9 10.8%	26.9 9.2%	(1.0)	Non-recurring costs for business combination and listing
EBIT ADJUSTED <i>% on net revenues</i>	22.2 8.6%	26.9 9.2%	4.7	
EBIT REPORTED <i>% on net revenues</i>	10.5 4.1%	13.2 4.5%	2.7	EBIT structural improvement after completion of Vega development phase
FINANCIAL EXPENSES <i>% on net revenues</i>	(3.3) -1.3%	(6.9) -2.4%	(3.6)	In 2016 full debt interests (vs.7 months only accrued interest in 2015) plus one-off debt early repayment cost
NET INCOME <i>% on net revenues</i>	5.4 2.1%	3.1 1.2%	(2.3)	Net income FY 2016 impacted by non recurring financial expenses and costs

Economic Highlights HY 2017



MAIN ECONOMICS	HY 2016 PRO-FORMA ⁽¹⁾	HY 2017 PRO-FORMA ⁽¹⁾	DELTA	
€ - M	€ - M	€ - M	€ - M	Comments
NET ORDER BACKLOG	643.2	716.2	73.0	€90M new contracts in HY 2017 (additional orders acquired after 30 June for over €300M)
NET REVENUES	119.4	148.6	29.2	+24% growth
EBITDA ADJUSTED	14.1	15.2	1.1	+8% growth
<i>% on net revenues</i>	<i>11.8%</i>	<i>10.2%</i>		
EBITDA REPORTED	10.7	11.2	0.5	Impact of non-recurring costs for business combination and listing
<i>% on net revenues</i>	<i>9.0%</i>	<i>7.6%</i>		
EBIT ADJUSTED	7.5	10.3	2.8	+38% growth
<i>% on net revenues</i>	<i>6.2%</i>	<i>6.9%</i>		
EBIT REPORTED	2.0	4.3	2.3	Structural improvement mainly attributable to termination of certain Vega MF R&D
<i>% on net revenues</i>	<i>1.7%</i>	<i>2.9%</i>		
FINANCIAL EXPENSES	(2.0)	(3.1)	(1.1)	Financial expenses impacted by one off debt repayment costs with no cash outflow (repaid ca. 65M Eur loan in May 2017)
<i>% on net revenues</i>	<i>-1,6%</i>	<i>-2,1%</i>		
NET INCOME	(1.1)	1.7	3.8	
<i>% on net revenues</i>	<i>-1,0%</i>	<i>1.2%</i>		

(1) Pro-Forma figures to compare on a “like-for-like” basis the financials of HY 2017 and HY 2016 in light of the business combination

Avio 9M economic and financial highlights

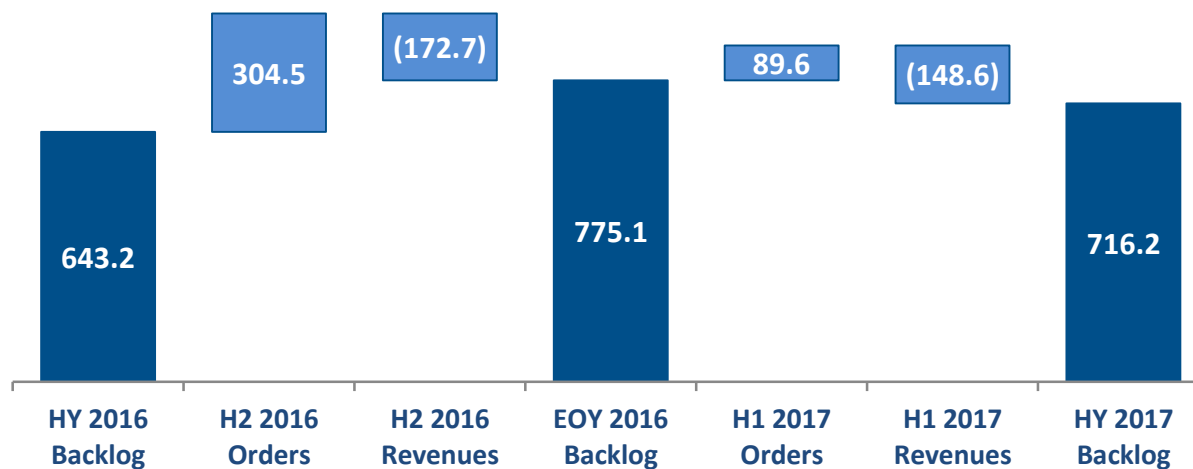


9M 2016 "PRO-FORMA" ACTUAL	HIGHLIGHTS	9M 2017 "PRO-FORMA" ACTUAL	DELTA	DELTA	Comments
€ - M		€ - M	€ - M	%	
190.5	NET REVENUES	228.4	37.8	20%	Vega production and Ariane development (P120)
21.5	EBITDA ADJUSTED	23.5	2.0	9%	Increase mainly driven by Gross Profit contribution
11.3%	% on net revenues	10.3%			
12.4	EBIT ADJUSTED	15.7	3.3	27%	End of amortization of certain Vega R&D items (completion in 2016)
6.5%	% on net revenues	6.9%			
DEC 2016 "PRO-FORMA" ACTUAL		30 SEP 2017 ACTUAL	Delta	Delta	
€ - M		€ - M	€ - M	%	
48.3	NET FINANCIAL POSITION	34.3	(14.0)	-29%	Expected cash absorption mainly driven by progress achieved on current programs

Net Order Backlog



Net Order Backlog evolution (€ - M)



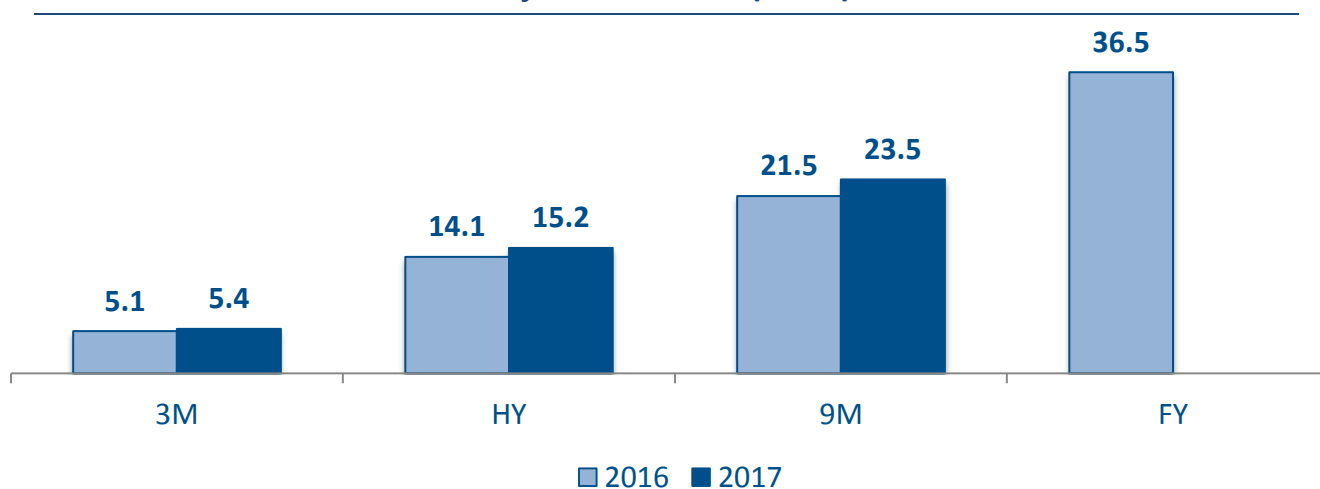
Comments

- Ca. €90M of new contracts acquired in HY 2017:
 - Vega & Ariane production and development contracts
 - Vega Batch 2 extension of perimeter for launch pad integration activities
- By end of August 2017 additional orders acquired for over €300M, including:
 - Vega Batch 3 production (10 Vega form VV17 to VV26, 2019 – 2021)
 - Vega C+ development
 - Aster

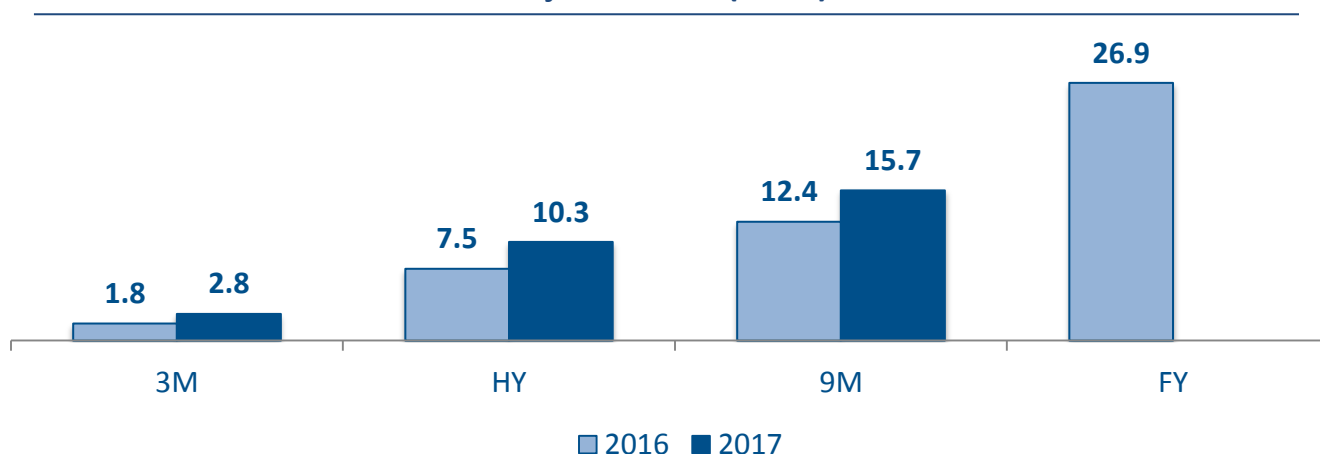
Adjusted EBIT and Adjusted EBITDA typical annual pattern



Adjusted EBITDA (€ - M)

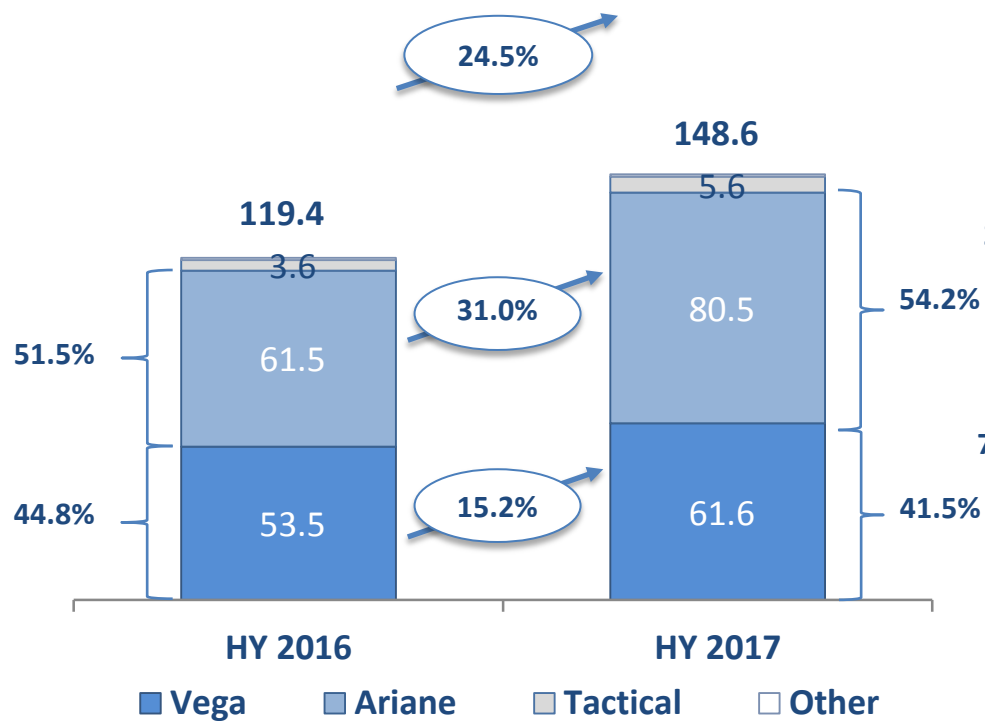


Adjusted EBIT (€ - M)

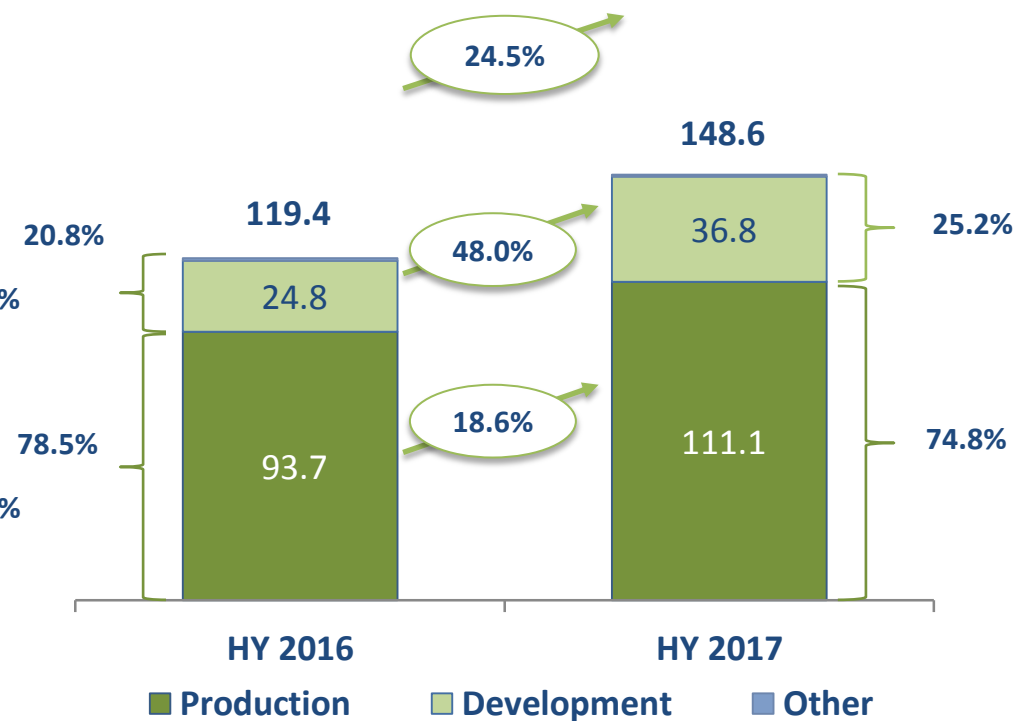


HY Net Revenues

by Line of Business (€ - M)



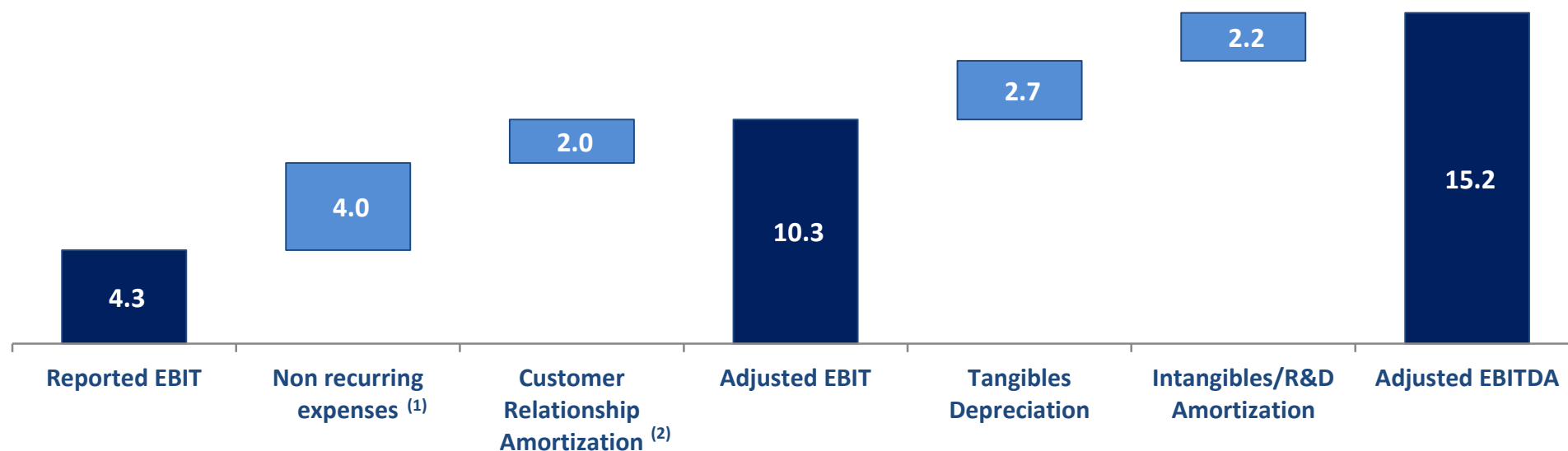
by Activity (€ - M)



EBIT/EBITDA adjustments for non recurring items



2017 Half Year Adjusted EBIT and Adjusted EBITDA (€ - M)



(1) It includes 1.7M of advisory fees and other consultancies costs incurred in Q1 from former Space2 in connection to the business combination and 1.8M of legal and advisory fees and other consultancies costs of Avio incurred in Q1 related to the listing and the merger with Space2

(2) It represents the amortization of the intangibles identified in the 2007 purchase price allocation following the acquisition in 2006 by Cinven. Following the business combination between Avio and Space2, the new PPA process will be completed by Q1 2018 in accordance with IFRS3

FY Balance Sheet

31 DEC 2015 ACT	MAIN SOURCES AND USES	31 DEC 2016 ACT	DELTA
€ - M		€ - M	€ - M
(50.0)	WORKING CAPITAL	(78.2)	(28.2)
56.8	DEFERRED TAX ASSETS	56.1	0.7
(38.3)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(35.8)	2.5
367.9	FIXED ASSETS	379.2	11.3
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
(308.8)	EQUITY	(310.1)	(1.3)
(342.9)	TOTAL SOURCES	(328.7)	14.2

Balance Sheet Highlights



31 DEC 2016 PRO- FORMA ⁽¹⁾	MAIN SOURCES AND USES	30 JUNE 2017 ACT	DELTA	Comments
€ - M		€ - M	€ - M	
(78.0)	WORKING CAPITAL	(77.4)	0.6	Structurally negative working capital
81.2	DEFERRED TAX ASSETS	82.0	0.8	Significant tax assets
(35.8)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(24.7)	11.1	Impact of one-off payment of long term compensation and incentive plans upon completion of business combination and listing ⁽²⁾
80.3	GOODWILL	80.3	-	
158.2	FIXED ASSETS	158.3	0.1	
7.4	FINANCIAL RECEIVABLES	7.4	-	
213.4	NET INVESTED CAPITAL	225.9	12.5	
48.3	NET FINANCIAL POSITION	35.9	(12.4)	Principally driven by the above changes in provisions
(261.7)	EQUITY	(261.8)	(0.1)	
(213.4)	TOTAL SOURCES	(225.9)	(12.5)	

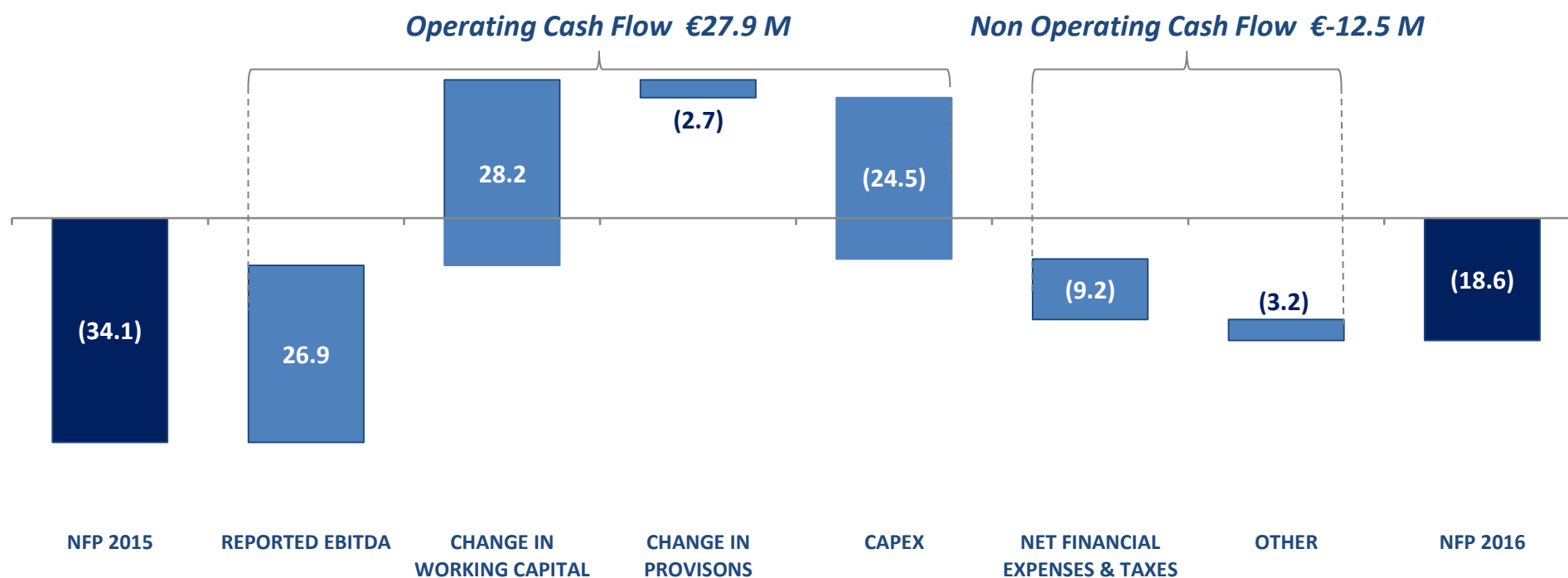
(1) Pro-Forma figures to compare on a “like-for-like” basis the financials of HY 2017 and FY 2016 in light of the business combination

(2) Mainly includes long term compensations granted to former Directors and top managers in charge before the business combination already set up in previous years, incentive plan related to the business combination Space2-Avio and utilization of tax and legal provision in relation to the settlement of certain disputes in line with the amount previously set up

FY Net Financial Position



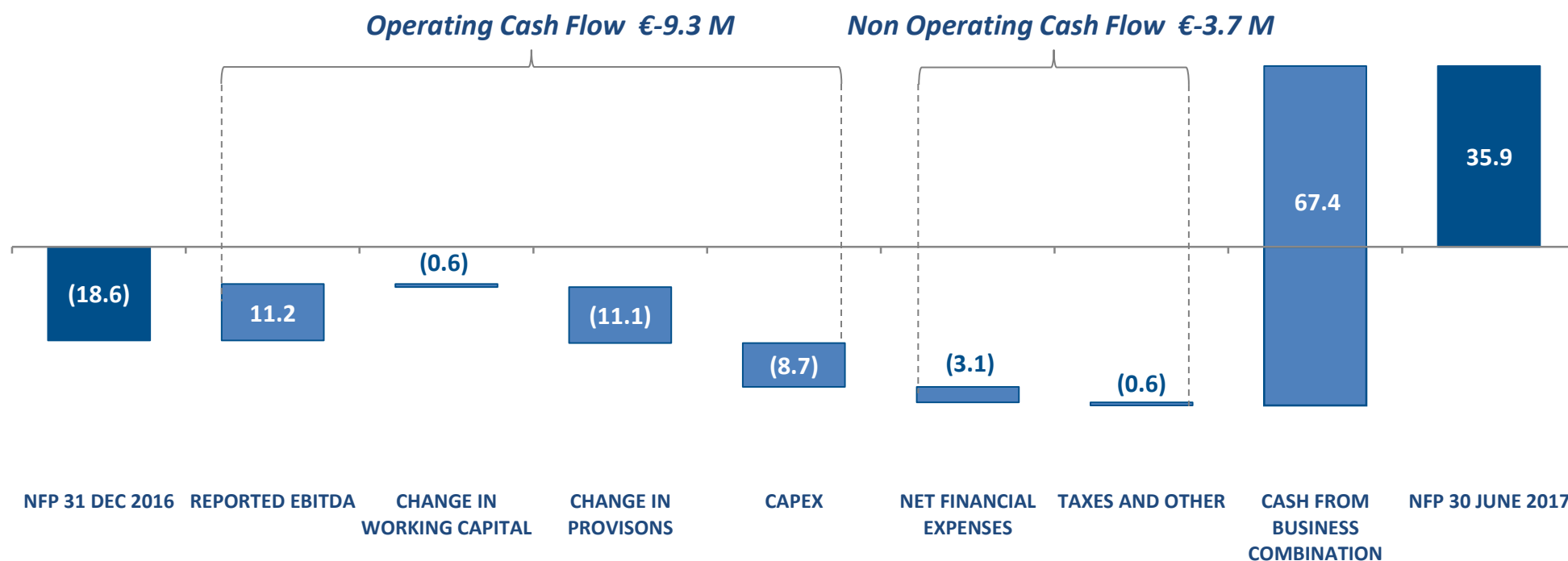
NFP evolution and cash flows (€ - M)



HY Net Financial Position



NFP evolution and cash flows (€ - M)





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