

**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 at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as 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, 2023 include assets related to the execution of contract work in progress of € 122,8 million (€ 425,5 million at December 31, 2022), liabilities for the related advances of € 452,8 million (€ 667,4 million at December 31, 2022), other provisions for risks and charges of € 15,8 million at December 31, 2023 (€ 24,6 million at December 31, 2022) and revenues of € 339,8 million at December 31, 2023 (€ 367,2 million at December 31, 2022).

Contracts work in progress are attributable to development and production activities in the space sector, whose revenues and related margins are recognized in the comprehensive 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 Company in the caption other provisions for risks and charges has also estimated the contracts expected losses. These include, in particular, the project related to the failure of the Vega-C mission (VV22) occurred by the end of the 2022 financial year, net of the compensation expected from the European Space Agency, taking into account for this purpose the findings of the Independent Commissions of Inquiry (IEC and IEB) on the related causes and recommendations for the return to flight.

The evaluation method of those contracts 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 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's overall business profile and the complexity of the assumptions used 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, 2023.

The information on the financial statements relating to this matter is provided in the explanatory notes to the financial statements and in particular in note 2.7 "Basis of preparation and accounting standards", note 2.9 "Use of estimates", note 3.10 "Contract work-in-progress", note 3.22 "Provision for risk and charges" and note 3.30 "Revenues".

Audit procedures performed

As part of our audit, we have, among others, carried out the following procedures:

- understanding of the accounting approach adopted by Avio S.p.A. for the valuation of the contract work in progress and the revenue recognition criteria (both related to the contractual payments and additional payments) and related margins;
- understanding of the implementation of the relevant controls put in place by the management on the process of evaluation of the contracts work in progress;
- 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, 2023;
- 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 2023 and understanding of the accounting approach adopted by Avio S.p.A. regarding the accruals in the caption other provisions for risks and charges;
- acquisition and examination of the analyzes carried out by the Company on the impacts arising from the project related to the *failure* of the VV22 mission and of the relevant documentation for the estimation of the provision for risks and charges thereon;
- 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 2023, record a goodwill accounted for the allocation of the 2017 purchase price allocation 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 March 13, 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:

- i) the current international macroeconomic environment;
- ii) the possible economic and financial effects on the levels of expenditure allocated by national governments and international institutions to the access to the space;
- iii) the potential future developments of the European governance of launchers referred to in the determinations of the ESA Council of 6 November 2023.

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 aspect of financial statements audit as of December 31, 2023.

The explanatory notes to the financial statements describe the management evaluation process, in particular in the notes 2.9 "Use of estimates" and "3.4 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, by obtaining information from the management and the expert, 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 analyzing 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 the skills, capacity and objectivity;
- examination of the sensitivity analysis prepared by the management;
- 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 International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 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 at December 31, 2023 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 at December 31, 2023 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and 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 at December 31, 2023, including their consistency with the related financial statements and 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 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 of Avio S.p.A. as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and 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, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, March 29, 2024

This report has been translated into the English language solely for the convenience of international readers.