

**DISCLOSURE DOCUMENT CONCERNING A SIGNIFICANT TRANSACTION WITH A RELATED
PARTY**

DECEMBER 20, 2017

DRAWN UP AS PER ARTICLE 5 OF THE “RELATED PARTY TRANSACTIONS REGULATION”
ADOPTED THROUGH CONSOB MOTION No. 17221 OF MARCH 12, 2010, AS SUBSEQUENTLY
AMENDED AND SUPPLEMENTED, AND IN COMPLIANCE WITH ANNEX 4 OF THE REGULATION,
CONCERNING THE PURCHASE BY AVIO S.P.A. OF THE BUSINESS UNIT OWNED BY ELV S.P.A.
INVOLVED IN “LAUNCHER DEVELOPMENT, PRODUCTION AND COMMERCIALISATION”

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INTRODUCTION

This disclosure document (the “**Disclosure Document**”) has been drawn up and published by Avio S.p.A. (“**Avio**” or alternately the “**Company**”), with registered office in Rome, Via L. Bissolati No. 76, whose shares are listed on the Italian Stock Exchange managed by Borsa Italiana S.p.A. (“**MTA**”), in accordance with Article 5 of the “*Related party transactions regulation*” adopted with Consob motion No. 17221 of March 12, 2010, as subsequently amended and supplemented (the “**Consob OPC Regulation**”), in addition to Annex 4 of the said regulation.

The principles and rules of the Consob OPC Regulation have been incorporated into the “*Related Parties Transactions Policy*” whose latest version was approved by Avio’s Board of Directors on September 13, 2017 (the “**OPC Policy**”).

The Disclosure Document relates to a sales transaction (the “**Transaction**”) between Avio and ELV S.p.a. (“**ELV**”) - of which Avio holds 70% of the share capital and is therefore a subsidiary - regarding the ELV business unit involved in “**Launcher, Development, Production and Commercialisation**”, and specifically the development, production and commercialisation of Vega, Vega-C, Vega-E and Ariane launchers, in addition to activities regarding the relative subsystems (the “**Business Unit**”).

The “**Space Transport New Technology and Test Infrastructure Research and Development**” business unit shall be maintained by ELV: operations for the development of subsystem innovative technologies, benefitting also the development of the “launcher” segment, which are not yet available industrially, and the development of new infrastructures and technologies for the testing of new generation propulsion and flight systems shall continue to be undertaken by this unit.

Reference should be made to Paragraph 2 of the Disclosure Document for a description of the Transaction.

1. **NOTICES**

1.1 **RISKS CONCERNING POTENTIAL CONFLICTS OF INTEREST ARISING FROM THE TRANSACTION.**

The Transaction considered in this Disclosure Document may be categorised as a related party transaction.

Such gives rise therefore to risks of potential conflicts of interest, as is normal for such transactions, principally with regards to the interest and the benefit for the company in the Transaction, in addition to the appropriateness and substantial correctness of the relative conditions.

However, the company considers the Transaction to be in the interest of the company and not to compromise its capital position.

With regards to the processes followed for approval of the Transaction, particularly with regards to those offsetting risks related to potential conflicts of interest, reference should be made to Paragraph 2.8 of this document.

In any case, it is initially indicated that on November 9, 2017 the Board of Directors of Avio assessed the reasoning behind and benefits of the Transaction, in addition to the financial conditions, granting approval and authorising, among other matters, the signing of the relative preliminary contract and the final contract.

2. INFORMATION CONCERNING THE TRANSACTION

2.1 KEY FEATURES, MANNER, TERMS AND CONDITIONS OF THE TRANSACTION.

ELV, as stated, is held 70% by Avio, with the remaining 30% held by the Italian Space Agency (“**ASI**”) and therefore constitutes an Avio related party as per Annex 1 of the Consob OPC Regulation, as incorporated into the OPC Policy.

The Transaction regards the acquisition by Avio of the Business Unit: as stated, the Business Unit is involved in “**Launcher Development, Production and Commercialisation**”, and specifically the development, production and commercialisation of Vega, Vega-C, Vega-E and Ariane launchers, in addition to activities regarding the relative subsystems, while ELV maintains its involvement with the “**Space Transport New Technology and Test Infrastructure Research and Development**” unit (the “**Non-Transferred Business Unit**”).

In particular, the Business Unit comprises the totality of assets organised and utilised for the various activities relating to the Business Unit, with the exception of those concerning the Non-Transferred Business Unit which is maintained by ELV. The value of the Business Unit’s assets equates to the carrying amount as per the general accounting records of ELV at January 1, 2018 (“**Effective Date**”). For greater clarity, the Effective Date for the transfer of the working relations of employees involved in the Business Unit is identified as the signing date of the Business Unit final sales contract.

Specifically, the Business Unit comprises:

- all ELV assets and equipment, except for that specifically identified by the Business Unit preliminary sales contract (the “**Preliminary Contract**”), which form part of the Non-Transferred Business Unit;
- all sales and commercial contracts and, more generally, all purchase contracts, in addition to all service contracts, except for those specifically identified in the Preliminary Contract, which form part of the Non-Transferred Business Unit;

- all banking and lending contracts, except for those explicitly identified in the Preliminary Contract;
- all ELV employees and the relative post-employment benefit provisions and salary items matured and not yet paid (thirteenth month, untaken vacations, etc.), except for the employees specifically identified by the Preliminary Contract and the relative post-employment benefit provisions and salary items matured and not yet paid (thirteenth month, untaken vacations, etc.), as per the general accounting records of ELV at the Effective Date;
- all sums of money held in cash and current accounts by ELV (also through the centralised treasury contracts between Avio and ELV), as per the general accounting records of ELV at the Effective Date;
- all receivables as per the general accounting records of ELV at the Effective Date, except for the receivables covered by the contracts specifically identified by the Preliminary Contract, in addition to the VAT receivables requested for repayment by ELV of Euro 8,284,707 (the “**VAT Receivables**”), while, as taking account of the VAT Receivables for calculation of the consideration for the sale of the Business Unit, ELV will pay to AVIO the amounts which should be repaid to ELV in terms of the VAT Receivables, including, for example purposes, the relative accessory amounts, within and not beyond five days from the date on which ELV receives the stated repayments, while any outstanding amount shall devolve to AVIO;
- with specific regard to the tax credit (the “**Tax Credit**”) arising from application of the research and development tax credit as per Article 3 of Legislative Decree No. 145/2013 (as amended by the 2017 financial statement law, Law No. 232/2016), the Business Unit does not include that stated as per the financial statements of ELV at December 31, 2017 or rather as per the general accounting records of ELV at the Effective Date, but rather the total amount matured by ELV at the Effective Date which shall be agreed between Avio and ELV following close analysis with tax consultants and consultation with the Tax Agency;
- all liabilities, payables and client advances at the Effective Date, including those of a tax nature, except for those covered by the contracts specifically identified by the Preliminary Contract. With regards to any liabilities concerning the recognition of the Tax Credit as per the preceding point, the same criteria applicable to the Tax Credit as per the stated previous point shall be applied;
- all of the physical inventory and contract work in progress at the Effective Date, except for that stated in the general accounting records of ELV at the Effective Date concerning ASI contract No. 2015-053-I.0 “Architettura Avionica Avanzata (AAA)” and the relative extensions specifically identified by the Preliminary Contract;

- all licenses, permits and authorisations of ELV, except for the licenses related to the computerised workstations specifically identified by the Preliminary Contract;
- all Italian and international registered and unregistered intellectual property rights;
- the goodwill concerning the Business Unit at the Effective Date;
- with regards to the inter-company service contracts concerning support operations, Avio and ELV hereby agree that, after the Effective Date, they will negotiate the terms and conditions of any renewal in line with ELV's new mission;
- with regards to pending disputes concerning ELV (the "**Disputes**"), such shall be maintained by ELV, in addition to their continued management: any liabilities and/or obligations arising from the Disputes shall exclusively be maintained by ELV.

The Transaction involves the signing of a Preliminary Contract, in addition to a final Business Unit sales contract (the "**Final Contract**"), subject to each of the following conditions: (i) completion of the trade union consultation procedure as per Article 47 of Law No. 428/1990; (ii) completion of the procedure under Legislative Decree No. 21/2012, converted with amendments by Law No. 56/2012, and by Presidential Decree No. 35/2014 ("golden power" procedure), excluding any veto and/or opposition conditions or provisions from the Prime Minister; and (iii) the sending of a joint Avio and ELV communication to Arianespace Participation SA ("**Arianespace**") concerning the sales contracts between ELV and Arianespace with regards to the sale of the Business Unit; (iv) the sending of a joint Avio and ELV communication to the ESA concerning the sales contracts between ELV and the European Space Agency ("**ESA**") with regards to the sale of the Business Unit; (v) the sending of a joint Avio and ELV communication to the Italian Space Agency ("**ASI**") with regards to the sales contracts between ASI and ELV, including the "LYRA" contracts, with regards to the sale of the Business Unit; (vi) the sending of a joint Avio and ELV communication to ELV's subcontractors with regards to the transfer of these contracts with ELV as part of the Business Unit sale.

The conditions at points (iii), (iv), (v) and (vi) are in favour of Avio, with the former permitted to waive them at any point.

The conditions should be fulfilled by and not beyond January 31, 2018.

Closing (the "**Closing**") shall take place within 10 (ten) days from fulfilment of the final condition.

The sale of the Business Unit shall be effective from January 1, 2018, with the exception of the transfer of the working relations of the employees involved in the Business Unit, for whom, as stated, the Effective Date equates to the Final Contract signing date.

In the period between the Preliminary Contract signing date and the Final Contract signing date, ELV commits to manage the Business Unit in accordance with applicable rules and the obligations undertaken and according to the same operating standards as previously applied, without undertaking operations which exceed normal and ordinary limits.

2.2 **INDICATION OF THE RELATED PARTIES WITH WHOM THE TRANSACTION IS UNDERTAKEN, THE NATURE OF THE RELATIONSHIP AND, WHERE DISCLOSED TO THE BOARD OF DIRECTORS, THE NATURE AND EXTENT OF THE INTERESTS OF SUCH PARTIES IN THE TRANSACTION.**

As stated, in accordance with the Consob OPC Regulation and the OPC Policy, ELV is a related party of Avio as controlled by the latter on the basis of Avio's 70% holding in ELV.

In addition, Mr. Rabajoli is Chairman of the Board of Directors of ELV and a member of the Board of Directors of Avio; therefore, at the Avio Board of Directors' Meeting of November 9, 2017, following his declaration to be an interest holder as per Article 2391 of the Civil Code, he abstained from voting on the Transaction approval motion.

The Transaction, in accordance with the OPC Policy, qualifies as a "Significant Transaction". However, the simplified regime under Article 10.1 of the OPC Policy may be applied, whereby "Significant Transactions" are subject to the same procedure as applied to "Insignificant Transactions", as per Article 8 of the OPC Policy, until approval of the financial statements for the second financial year subsequent to the merger by incorporation of Avio S.p.A. into Space 2 S.p.A., i.e. until approval of the 2019 Financial Statements.

The Transaction in any case is subject to the obligations under Article 5 of the Consob OPC Regulation.

In addition, the exemption under Article 13.2 (d) of the OPC Policy may not be applied, as inapplicable to transactions with subsidiaries where other Avio related parties do not have "Significant Interests" in such companies. "Significant Interests" concern, among others, the sharing between Avio and the subsidiary of one or more "Key Management Personnel" benefitting from variable incentive or remuneration plans which depend, directly and to a significant degree, on the results of the subsidiary. In accordance with the OPC Policy, "Key Management Personnel" are the members of the Board of Directors and of the Board of Statutory Auditors and other persons with the power and responsibility, directly or indirectly, for the planning, management and control of company operations, as identified by the Chief Executive Officer. A number of Avio managers have key positions at ELV and as benefitting from incentive plans, the Transaction is subject to the OPC Policy.

On November 9, 2017, the Board of Directors of Avio, after acknowledging, among others:

- a) the reasoned (non-binding) favourable opinion of the Related Parties Committee (the “**OPC Committee**”) issued on October 30, 2017;
- b) the list of assets, liabilities and personnel which are not transferred to Avio and are maintained by ELV;
- c) the opinion upon the entire value of the company prepared by Mr. Marco Lacchini (the “**Opinion**”); and
- d) the Preliminary Contract being finalised with ELV,

having established the benefit and interest of the company in the Transaction, with the above-stated abstention of Mr. Rabajoli, unanimously approved the Transaction, passing the useful and necessary motions to complete the Transaction, with particular regards to the signing of the Preliminary Contract and the Final Contract.

2.3 INDICATION OF THE ECONOMIC BASIS AND THE BENEFIT FOR THE COMPANY IN THE TRANSACTION.

The Transaction bestows a series of advantages in terms of the economic basis and overall benefit for the Group, in view of the agreement in 2016 by the ESA member states of a new governance structure for the launchers segment, which from 2019 will transfer to the prime contractors (both of VEGA and ARIANE) all risks concerning commercial exploitation, with a parallel reduction in support from the space agencies. In this environment, commercial exploitation of the VEGA product, with all associated risks, may more naturally be managed by an industrial enterprise such as Avio rather than through a public-private partnership such as that currently in place with ELV, which principally concerns research and development and with the original mission of ELV now essentially considered as completed.

Currently, the production and operating activities regarding the VEGA programme are shared between Avio and ELV and therefore centralisation at a single entity shall permit a streamlining of costs at Group level, delivering significant savings and creating programme efficiencies.

2.4 MANNER FOR THE ESTABLISHMENT OF CONSIDERATION FOR THE TRANSACTION AND COMPARISONS WITH MARKET VALUES FOR SIMILAR TRANSACTIONS.

The value of the entirety of ELV is estimated at Euro 22,452,000.00, according to the Opinion drafted by Mr. Marco Lacchini, dated October 19, 2017.

Consideration for the sale of the Business Unit is identified and agreed among Avio and ELV (in accordance with the estimated Opinion amounts, *pro rata* on the basis of the assets, liabilities and personnel transferred to Avio) as Euro 20,311,000.00 (the “**Consideration**”). Consideration shall be fully paid on Closing. The Consideration shall be increased for all personnel cost items incurred by ELV in the period between January 1, 2018 and the Final

Contract signing date, with regards to the employees transferred within the Business Unit, including salary payments to the stated ELV employees until the Final Contract signing date (for example purposes, contributions, Post-employment benefits, IRPEF).

As stated at paragraph 2.1, analysis is currently being undertaken by ELV and Avio, supported by tax consultants and through specific liaisons with the Tax Agency, with regards to any benefits deriving from application of the Tax Credit regulation. On conclusion of this analysis, ELV and Avio, by December 31, 2018 shall jointly set out any adjustment to the Consideration with regards to any expected benefits from the tax credit for research and development.

No further adjustments to the Consideration are provided for.

The Consideration shall in part be distributed to ELV shareholders in the form of profits on approval of the 2018 financial statements and/or through a share capital reduction in accordance with Article 2445 of the Civil Code.

The Consideration, as stated, has been calculated on the basis of the expert Opinion, *pro rata* according to the assets, liabilities and personnel transferred to Avio.

There are no substantial differences between the Consideration and that as per market practice for similar transactions: the Consideration therefore appears appropriate in view of the Transaction.

Mr. Marco Lacchini was appointed by Avio from among a shortlist of consultants of proven experience, for his absolute authority with regards to the subject matter considered and does not have any economic, equity and financial connection with Avio and ELV.

In particular, the valuation methods for the entire company adopted by the Expert are based on a valuation strategy founded on direct methods applied over an explicit period comprising of four consecutive years (2013-2016) and of four future years (2017-2020).

The valuation strategy adopted for the calculation of the value of ELV involves three direct methods based on empirical multipliers, one principal method and two control methods (EV/EBITDA and P/BV Mr. Damodaran databases), which returned values substantially in line with the principal method.

2.5 ILLUSTRATION OF THE ECONOMIC, EQUITY AND FINANCIAL EFFECTS OF THE TRANSACTION, PROVIDING AT LEAST THE APPLICABLE SIGNIFICANCE RATIOS.

The significance ratio of the total value of the Transaction, calculated in accordance in Annex 3 of the Consob OPC Regulation is provided below (in Euro):

Value of the Transaction	= 20,311,000	= 5.6%
Capitalisation of the Issuer at 30.06.2017	= 359,815,616	

The value of the Transaction equates to the amount which ELV will receive from the sale of the Business Unit, i.e. the Consideration, and amounts to Euro 20,311,000.

Execution of the entire Transaction therefore results in surpassing of the the 5% threshold of the “*Value significance ratio*”, as set out in Annex 3 of the Consob OPC Regulation.

As previously stated, ELV is held 70% by Avio and is included in the Group consolidated financial statements.

2.6 IMPACT OF THE TRANSACTION ON THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY AND/OR OF THE SUBSIDIARIES

At the date of this Disclosure Document, execution of the Transaction shall not impact on the remuneration of the members of the Board of Directors of the company and/or of the subsidiaries, as per that stated below for greater transparency.

In this regard, as stated, we indicate the sharing between Avio and ELV of one or more “Key Management Personnel” benefitting from variable incentive or remuneration plans which depend, directly and to a significant degree, on the results of the subsidiary. In accordance with the OPC Policy, “Key Management Personnel” are the members of the Board of Directors and of the Board of Statutory Auditors and other persons with the power and responsibility, directly or indirectly, for the planning, management and control of company operations, as identified by the Chief Executive Officer.

2.7 INFORMATION CONCERNING THE FINANCIAL INSTRUMENTS OF THE COMPANY HELD BY MEMBERS OF THE MANAGEMENT AND CONTROL BOARDS, GENERAL MANAGERS AND EXECUTIVES OF THE ISSUER INVOLVED IN THE TRANSACTION AND THEIR INTERESTS IN CORPORATE OPERATIONS.

Members of the management and control boards, general managers and executives of the participating companies are not involved in the transaction as related parties.

However, at the Board of Directors’ meeting of November 9, Mr. Rabajoli, as a member of the Board of Directors of ELV, and also of Avio, abstained from voting on the Transaction approval motion, following his declaration to be an interest holder as per Article 2391 of the Civil Code.

2.8 INDICATION OF THE BODIES OR DIRECTORS CONDUCTING OR PARTICIPATING IN NEGOTIATIONS AND/OR PREPARING AND/OR APPROVING THE TRANSACTION, SPECIFYING THE RESPECTIVE ROLES, WITH PARTICULAR REGARD TO THE INDEPENDENT DIRECTORS.

The Preliminary Contract was signed following approval by the Board of Directors of Avio (unanimously and with the abstention of Director Vittorio Rabajoli) and the issue of a favourable opinion, with the abstention of Mr. Vittorio Rabajoli as Chairman of the Board of

Directors of ELV, by the the OPC Committee, in accordance with the Consob OPC Regulation and the relative OPC Policy.

In this regard, on October 30, 2017, the OPC Committee met, comprising the directors Ms. Monica Auteri, Ms. Donatella Sciuto (both independent directors) and Mr. Vittorio Rabajoli, to examine the Transaction.

The OPC Committee received complete and timely information and viewed and examined, for the issue of the opinion as per Article 8 of the OPC Policy, among others, the following documentation: the list of assets, liabilities and personnel which are not transferred to Avio, being maintained by ELV; the Opinion; and the draft of the Preliminary Contract being finalised with ELV.

In accordance with the provisions of the Consob OPC Regulation and the OPC Policy, the activities of the OPC Committee are focused on establishing the interest for the company in the Transaction, in addition to the benefit and substantial correctness of the relative conditions.

The favourable reasoned opinion of the OPC Committee, with the considerations expressed in particular with regards to the interest of the company in the Transaction, in addition to the benefit and substantial correctness of the relative conditions, are herein annexed (sub 1).

For the signing of the Preliminary Contract and the Final Contract, the Board of Directors on November 9, approving the Transaction also for the purposes of the OPC Policy, separately assigned to the Chairman of the Board of Directors Mr. Roberto Italia and to the Chief Executive Officer Mr. Giulio Ranzo, all powers necessary without exclusion and/or excepted, to proceed with the signing of the Preliminary Contract and the Final Contract, negotiating and approving the amendments thereto considered necessary and beneficial and to sign any additional documents and execute any other operations and/or formalities necessary or beneficial.

2.9 **WHERE THE SIGNIFICANCE OF THE TRANSACTION DERIVES FROM THE ACCUMULATION, IN ACCORDANCE WITH ARTICLE 5, PARAGRAPH 2 OF THE OPC REGULATION, OF A NUMBER OF TRANSACTIONS EXECUTED IN THE SAME YEAR WITH THE SAME RELATED PARTY OR WITH PARTIES RELATED BOTH TO THIS LATTER AND TO THE COMPANY, THE INFORMATION INDICATED AT THE PRECEDING POINTS SHOULD BE PROVIDED WITH REGARDS TO ALL THE STATED TRANSACTIONS.**

That stated is not applicable to the Transaction.

ANNEXES

The following annex constitutes an integral part of this Disclosure Document:

Annex 1: Opinion of the Related Parties Committee of October 30, 2017.

Rome, December 20, 2017

AVIO S.p.A.

For the Board of Directors

the Chairman

(Signed)

DECLARATION OF THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The undersigned Alessandro Agosti, Executive Officer for financial reporting, declares, in accordance with paragraph 2 of Article 154 *bis* of the CFA, that, to the extent of his knowledge, the accounting disclosure in this Disclosure Document correspond to the underlying accounting documents, records and entries.

The Executive Officer

Signature

(Signed)

AVIO S.P.A. RELATED PARTIES COMMITTEE

NON-BINDING REASONED OPINION IN ACCORDANCE WITH ARTICLE 7.1 (A) OF CONSOB REGULATION NO. 17221 OF MARCH 12, 2010 AND ARTICLE 8 OF THE RELATED PARTIES TRANSACTIONS POLICY APPROVED BY THE BOARD OF DIRECTORS ON SEPTEMBER 13, 2017 CONCERNING THE PURCHASE BY AVIO S.P.A. OF THE BUSINESS UNIT OWNED BY ELV S.P.A., INVOLVED IN LAUNCHER DEVELOPMENT, PRODUCTION AND COMMERCIALISATION

1. THE TRANSACTION

ELV S.p.A., with registered office in Rome, Via Leonida Bissolati No. 76 (“**ELV**”), owns a business unit involved in the research, development, production and commercialisation of space launchers for the industrial orders acquired under programmes operated by national governments and supranational institutions; in particular, as part of the VEGA (Vettore Europeo di Generazione Avanzata) programme, ELV operates as a prime contractor (i) for the European Space Agency (“**ESA**”) for the development of the VEGA (Vega Consolidation and Evolution) launcher and its spin-offs (ii) for Arianespace S.A. (“**Arianespace**”) for launcher batch production contracts and programme production support contracts.

ELV is held 70% by Avio, with the remaining 30% held by the Italian Space Agency (“**ASI**”).

Avio intends to purchase from ELV the “Launcher, Development, Production and Commercialisation” unit, involved specifically in the development, production and commercialisation of Vega, Vega-C, Vega-E and Ariane launchers, in addition to activities regarding the relative subsystems (the “**Business Unit**”).

The “**Space Transport New Technology and Test Infrastructure Research and Development**” business unit shall be maintained by ELV: operations for the development of subsystem innovative technologies, benefitting also the development of the “launcher” segment, which are not yet available industrially, and the development of new infrastructures and technologies for the testing of new generation propulsion and flight systems shall continue to be undertaken by this unit (the “**Non-Transferred Business Unit**”).

In particular, the Business Unit sold (the “**Transaction**”) shall be identified by subtraction, in the sense that the entire ELV enterprise shall be transferred to Avio, with the exception of the specifically identified assets, liabilities and personnel, which shall be maintained by ELV.

The value of the entirety of ELV is estimated at Euro 22,452,000.00, according to the Opinion drafted by Mr. Marco Lacchini, dated October 19, 2017 (the “**Opinion**”). Consideration for the

sale of the Business Unit is identified and agreed among Avio and ELV (in accordance with the estimated Opinion amounts, *pro rata* on the basis of the assets, liabilities and personnel transferred to Avio) as Euro 20,311,000.00 (the “**Consideration**”). Consideration shall be fully paid on Closing.

The Consideration shall be increased for all personnel cost items incurred by ELV in the period between January 1, 2018 and the Final Contract signing date, with regards to the employees transferred within the Business Unit, including salary payments to the stated ELV employees until the Business Unit Final Contract signing date (for example purposes, contributions, Post-employment benefits, IRPEF).

Analysis is currently being undertaken by ELV and Avio, supported by tax consultants and through specific liaisons with the Tax Agency, with regards to any benefits deriving from application of the Tax Credit regulation regarding research and development as per Article 3 of Legs. Decree No. 145/2013 (as amended by the 2017 financial statement law, Law No. 232/2106). The Opinion and the Consideration do not take account of the tax credit as its existence should currently only be considered as potential. On conclusion of this analysis (expected to be completed once the responses to the questions submitted to the Tax Agency have been obtained and analysed), ELV and Avio, by December 31, 2018, shall jointly agree the transfer of the research and development tax credits and the adjustment of the consideration in this regard.

The Consideration shall be distributed partly to ELV shareholders in the form of profits and/or through a share capital reduction in accordance with Article 2445 of the Civil Code on approval of the 2018 financial statements.

The Transaction involves the signing of a preliminary sales contract for the Business Unit between Avio and ELV which shall set out the main terms and conditions of the Transaction (the “**Preliminary Contract**”). The signing of the final contract for the sale of the Business Unit is subject to the following conditions: (i) completion of the trade union consultation procedure as per Article 47 of Law No. 428/1990; (ii) completion of the procedure under Legislative Decree No. 21/2012, converted with amendments by Law No. 56/2012, and by Presidential Decree No. 35/2014 (“golden power” procedure), excluding any veto and/or opposition conditions or provisions from the Prime Minister; and (iii) the sending of a communication to Arianespace, ESA, ASI and to ELV’s subcontractors with regards to the transfer of these contracts with ELV as part of the Business Unit sale. The conditions at point (iii) is in favour of Avio, with the former permitted to waive it at any point.

The conditions should be fulfilled by and not beyond January 31, 2018. Closing shall take place within 10 (ten) days from fulfilment of the final condition.

The sale of the Business Unit shall be effective from January 1, 2018, with the exception of the transfer of the working relations of the employees involved in the Business Unit, for whom the Effective Date equates to the Business Unit Final Contract signing date.

In the period between the Preliminary Contract signing date and the Final Contract signing date, ELV commits to manage the Business Unit in accordance with applicable rules and the obligations undertaken and according to the same operating standards as previously applied, without undertaking operations which exceed normal and ordinary limits.

In accordance with Article 10 of the ELV By-Laws, purchase, sale, transfer and exchange operations and other disposals of the business or of business units should be authorised by a Shareholders' Meeting. In this regard, the Shareholders' Meeting of ELV should authorise the signing of the Preliminary Contract and the Transaction, and Avio should vote in favour of the Transaction at a Shareholders' Meeting.

Subsequent to sale, ELV shall no longer carry out the production and commercialisation of space launchers and its mission shall essentially have been completed. In this context, Avio and ASI have decided to identify a new mission for ELV, subsequent to sale, focused on the research, development and testing of new space access technologies.

2. NATURE OF THE TRANSACTION AND OF THE RELATIONSHIP

In accordance with Consob Regulation No. 17221 of March 12, 2010 (the “**Consob Regulation**”) and the Related Parties Transactions Policy approved by the Board of Directors on September 13, 2017 (the “**Policy**”), the Transaction constitutes a “**Significant Transaction**”). However, the simplified regime under Article 10.1 of the Policy is applied, whereby “Significant Transactions” are subject to the same procedure as applied to “Insignificant Transactions”, as per Article 8 of the OPC Policy, until approval of the financial statements for the second financial year subsequent to the merger by incorporation of Avio S.p.A. into Space 2 S.p.A., i.e. until approval of the 2019 Financial Statements (subject to the obligation to publish the disclosure document as per Article 5 of the Consob Regulation).

In accordance with the Consob Regulation and the Policy, ELV is a related party of Avio as controlled by the latter on the basis of Avio's 70% holding.

The exemption under Article 13.2 (d) of the Policy may not be applied, as inapplicable to transactions with subsidiaries where other Avio related parties do not have “Significant Interests” in such companies. “Significant Interests” concern, among others, the sharing

between Avio and the subsidiary of one or more “Key Management Personnel” benefitting from variable incentive or remuneration plans which depend, directly and to a significant degree, on the results of the subsidiary. In accordance with the Policy, “Key Management Personnel” are the members of the Board of Directors and of the Board of Statutory Auditors and other persons with the power and responsibility, directly or indirectly, for the planning, management and control of company operations, as identified by the Chief Executive Officer. A number of Avio managers have key positions at ELV and as benefitting from incentive plans (based on ELV’s performance as a manager of VEGA orders of central importance for the Group), should prudently consider the Transaction subject to the Policy.

3. PRELIMINARY PHASE AND DOCUMENTATION REVIEWED

The Related Parties Committee was involved in the preliminary phase of the Transaction, receiving complete and adequate information to permit approval of the Transaction within the established deadlines, while duly updated by management with regards to the development of the activities undertaken. In particular, the Related Parties Committee on October 26, 2017 received from company management a note detailing the Transaction, and for the purposes of its assessments, reviewed and examined, among others, the following documentation:

- the list of assets, liabilities and personnel not to be transferred to Avio and to be maintained by ELV;
- the opinion drafted by Mr. Marco Lacchini, dated October 19, 2017 (the “**Opinion**”); and
- the draft of the Preliminary Contract being finalised with ELV.

4. ANALYSIS

3. With regards to the interests of the company in the Transaction, the Related Parties Committee identified a series of advantages, including:

- In 2016, the ESA member states set out a new governance structure for the launchers segment, which from 2019 will transfer to the prime contractors (both of VEGA and ARIANE) all risks concerning commercial exploitation, with a parallel reduction in support from the space agencies. In this new scenario, commercial exploitation of the VEGA product, with all associated risks, may more naturally be managed by an industrial enterprise such as Avio rather than through a public-private partnership such as that currently in place with ELV, which principally concerns research and development and with the original mission of ELV now essentially considered as completed.

4. - The production and operating activities regarding the VEGA programme are currently shared between Avio and ELV and will be centred at a single entity: this shall permit a streamlining of costs at Group level, delivering significant savings and creating programme efficiencies.

5. CONCLUSIONS

5. The Related Parties Committee, noting (i) the information and documentation received from the relevant company structures, (ii) the interest of the company in the Transaction and (iii) the valuation methods adopted to calculate the purchase price of the Business Unit, considers the Transaction to be beneficial and correct and, consequently, expresses a favorable opinion on the interest of the company in the Transaction.

This Opinion was unanimously approved by all members of the Related Parties Committee, with the abstention of Mr. Vittorio Rabajoli in view of his position as Chairman of the Board of Directors of ELV.

Rome

October 30, 2017

For the Related Parties Committee

The Chairperson – Ms. Monica Auteri

(Signed)