



DIRECTORS' REPORT TO THE ORDINARY SHAREHOLDERS' MEETING OF APRIL 29th 2019 PURSUANT TO ARTICLE 2357 OF THE ITALIAN CIVIL CODE AND ARTICLE 73 AND ANNEX 3A, SCHEDULE No. 4, OF THE ISSUERS' REGULATIONS.

Point 4 of the Agenda

Approval of the proposal for authorization for the purchase of shares in pursuant to Article 2357 of the Civil Code: resolutions thereon.

During the session of March 14th 2019, the Board of Directors of Avio S.p.A. (hereinafter the “**Company**” or “**Avio**”) resolved to convene an ordinary session of the Shareholders’ Meeting for the shareholders to decide, inter alia, on the purchase of shares pursuant to Articles 2357 *et seq.* of the Italian Civil Code. Accordingly, pursuant to Art. 73 of Consob Resolution No. 11971 of 1999, as amended (hereinafter the “**Issuers’ Regulations**”), the Board of Directors approved this report in accordance with Annex 3A, schedule No. 4, of the aforementioned Issuers’ Regulations, presenting the purposes, conditions and characteristics of the requested authorization to the shareholders.

Reasons for the requested authorization to purchase and sell Avio’s own shares

The main objectives which the Board of Directors of Avio intends to pursue through the purchase and utilization of own shares for which authorization is requested are as follows:

- supporting share liquidity, restraining anomalous price movements and ensuring regular trading in compliance with the applicable regulations;
- efficiently utilizing liquidity generated by company operations, also through medium-long-term investment in own shares;
- offering shareholders an additional tool to monetize their investment;
- using treasury shares as a consideration in corporate actions, to receive funds for acquisition projects and/or in exchanges of shareholdings, or for other uses deemed of interest to the Company in financial, managerial and/or strategic terms;
- using the treasury shares purchased or already in portfolio to support any share incentive plans, including in the future, for directors, employees and collaborators of the company and/or its subsidiaries, in addition to free share assignment plans for shareholders.

The authorization requested would permit the Board of Directors to carry out repeated purchase and sales operations (or other utilization operations) of shares on a revolving basis, also for fractions of the maximum authorized quantity, so that the total number of shares purchased and held by the Company does not at any time exceed the limits set by the law and the authorization granted by the Shareholders’ Meeting.

Maximum number, category and nominal value of the shares to which the authorization refers

At the date of this Report, the Company’s share capital amounted to Euro 90,964,212.90, divided into 26,359,346 ordinary shares without indication of par value. There are 800,000 non-listed sponsor warrants in circulation, as reported in the “*share capital of Avio*” document made available to shareholders on the Company’s website (at the address <http://www.avio.com>, in the section “Corporate Governance, 2019 Shareholders’ Meeting”). The Company’s shares are traded on the Electronic Stock-Market, organized and managed by Borsa Italiana, STAR segment.

At today’s date, the Company does not hold treasury shares.

None of the subsidiaries holds shares in Avio.

In the light of the foregoing, it is therefore proposed that Avio's Board of Directors be authorized to purchase shares in the Company, in one or more installments, in amounts at the Board of Directors' full discretion, up to 10% of share capital (approximately Euro 9 million), in accordance with the legal limits.

It is further proposed that the Shareholders' Meeting concurrently authorizes Avio's Board of Directors to undertake acts of disposition and transfers of the ordinary shares in the Company purchased according to the methods set out below, subject to applicable laws and regulations.

Information for evaluation purposes pursuant to Article 2357, paragraph 3, of the Italian Civil Code

The purchases must be undertaken within the limits of the distributable profits and/or and available reserves from the latest approved financial statements. Furthermore, only fully paid-in shares may be purchased.

The Company's draft financial statements at and for the year ended December 31, 2018, approved by the Board of Directors on March 14, 2019 and submitted for the approval of the Shareholders' Meeting on April 29, 2019, also called to approve this proposal to authorize the purchase and disposition of shares, show available reserves of Euro 91,098 thousand as at December 31, 2018.

Each purchase must be undertaken in accordance with the conditions set out in (i) Articles 2357 *et seq.* of the Italian Civil Code; (ii) the Regulations for the Markets organized and managed by Borsa Italiana S.p.A. and the related Instructions; and, in any event, (iii) applicable laws and regulations.

Duration of authorisation

The authorization to purchase and utilize treasury shares on which the Shareholders' Meeting will be called to resolve, will have 18 (eighteen) months' validity from the approval of the relevant resolution, subject to renewal by a further decision of the Shareholders' Meeting.

The Board may proceed with the authorized transactions on one or more occasions and at any time, to an extent which may be freely established in compliance with the foregoing and applicable legislation, in a gradual manner, as considered to be in the interest of the Company.

It is proposed that the Shareholders' Meeting do not set a time limit on acts of disposition of the shares purchased, allowing the Board of Directors to proceed at its discretion with one or more acts of transfer or disposition, before or after the purchases of shares in Avio have been concluded.

Minimum and maximum payments for shares purchased

The purchase price of the shares will be set from time to time, based on the intended transaction structure and in accordance with any regulatory prescriptions or standard market practice, and will range between a minimum and maximum to be set by the Shareholders' Meeting called to authorize the purchase. In any event, it is proposed that the shares shall be purchased for a price per share not more than 10% (ten percent) below and not more than 10% (ten percent) above the reference price recorded on the STAR segment of the Italian Electronic Stock-Exchange on the day before each transaction, or for a different price in accordance with market practice or Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16th 2014, for transactions subject to the said Regulation.

The foregoing is without prejudice to cases in which the shares are swapped, conferred, assigned or subject to other non-monetary disposals, whereby the financial terms of the transaction are based on, as per the applicable regulation, the nature and characteristics of the transaction.

Methods of execution of the transactions

In view of the various objectives targeted by the share operations, it is proposed that authorization is granted to make purchases according to the means to be identified on a case by case basis and at the discretion of the Board of Directors and, therefore, through public purchase offers, purchases made on the regulated market organized and managed by Borsa Italiana S.p.A., or through authorized intermediaries, and however according to market practice which does not permit the direct linking of purchase proposals with pre-determined sales proposals. In particular, purchases relating to market-making activity or the purchase of shares for investment purposes must be undertaken in accordance with market practice, as governed by Art. 180, paragraph 1, letter c), of Leg. Decree 58/1998.

It is also proposed that the Shareholders' Meeting authorize acts of disposition, subject to the legal conditions and limits, pursuant to Article 2357-*ter* of the Civil Code, at all times (and thus even before the purchases have been concluded), in full or in part, of the shares purchased based on the present proposal, through the disposal of such on or off the market, granting the Board of Directors the power to establish, in compliance with applicable laws and regulations, the terms, methods and conditions of the disposal of shares considered in the greatest interest of the company, provided that the disposals carried out, as part of business projects or corporate finance transactions, through exchanges, contributions or other methods that entail the transfer of shares, are undertaken at a price or value deemed appropriate and suitable for the transaction, while also taking account of market performance, without prejudice, in any event, to any other consideration according to standard market practice or Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014 in respect of the transactions subject thereto. The acts of purchase and disposal of shares for which authorization is requested will be undertaken in accordance with applicable legislation, and in particular in accordance with Italian and Community laws and regulations, including on the subject of market abuse.

The acts of purchase and disposal of shares will be adequately disclosed in accordance with applicable disclosure obligations.

Cancellation of treasury shares

The Company is not undertaking the purchases with the intention of reducing share capital by cancelling the treasury shares purchased, without prejudice to the Company's right, where a reduction in share capital is approved by the Shareholders' Meeting on a future date, to execute such a reduction by cancelling treasury shares in portfolio.

On all the foregoing grounds, we therefore believe it is appropriate to propose that you grant the authorization in question.

Avio's Board of Directors therefore submits the following draft resolution for approval by an ordinary session of the Shareholders' Meeting:

“The Shareholders' Meeting of Avio S.p.A., in ordinary session in Milan, Via Filodrammatici n. 3,

- having regard to Articles 114-*bis* and 132 of Legislative Decree No. 58 of February 24, 1998, as amended;
- having regard to Articles 2357 and 2357-*ter* of the Italian Civil Code;
- considering that the Company and its subsidiaries do not hold any shares in Avio S.p.A. on the date hereof;
- having regard to the Director's Report on this point of the agenda;
- having regard to the financial statements as at and for the year ended December 31, 2018 just approved;
- in view of the favorable opinion from the Board of Statutory Auditors;

RESOLVES

- 1) to authorize the purchase of shares in the Company, in one or more installments, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, in amounts at the Board of Directors' full discretion, up to 10% of share capital (approximately Euro 9 million) and to undertake one or more acts of disposition of the shares held, including those purchased in execution of this resolution, under the following conditions:
 - a) the authorization is limited to purchases to be undertaken for the purposes illustrated in the Directors' Report;
 - b) in any event, the shares will be purchased for a price per share not more than 10% (ten percent) below and not more than 10% (ten percent) above the reference price recorded on the STAR segment of the Italian Electronic Stock-Exchange on the day before each purchase transaction, or for a different price in accordance with market practice or Regulation (EU) No. 596/2014 of the European Parliament and Council of April 16, 2014, for transactions subject to the said Regulation;
 - c) authorization for purchase is granted for a period of 18 (eighteen) months from the date on which this resolution is passed, whereas authorization of disposition is granted without time limits and may be exercised on one or more occasions, in order to permit the above purposes to be achieved;
 - d) purchases must be undertaken within the limits of the distributable profits and available reserves from the latest approved financial statements;
 - e) purchases of shares will be undertaken, pursuant to article 144-bis, paragraph 1, letter b) of the Issuers' Regulations, in accordance with the provisions of the market regulations in order to ensure equal treatment of shareholders. Accordingly, the purchases will be undertaken, on one or more occasions, solely on regulated markets organized and managed by Borsa Italiana S.p.A., under the operating procedures established by this latter, which does not permit the direct joint proposal to purchase with predetermined proposals to sell;
- 2) to establish that the shares that will be purchased in execution of the resolution set out in point 1 above will be used:
 - a) supporting share liquidity, restraining anomalous price movements and ensuring regular trading in compliance with the applicable regulations;
 - b) efficiently utilizing liquidity generated by company operations, also through medium-long-term investment in shares;
 - c) *to offer shareholders an additional tool to monetize their investment;*
 - d) using shares as consideration in corporate actions, to receive funds for acquisition projects and/or in exchanges of shareholdings, or for other uses deemed of interest to the Company in financial, managerial and/or strategic terms;
 - e) using the shares purchased or already in portfolio to support any share incentive plans, including in the future, for directors, employees and collaborators of the company and/or its subsidiaries, in addition to free share assignment plans for shareholders.
- 3) to authorize the Chief Executive Officer, with the power to sub-delegate:
 - a) to execute today's resolution and, inter alia, to set aside the funds for the negative component of equity provided for in article 2357-ter of the Italian Civil Code, in accordance with the law;
 - b) to establish the executive and ancillary methods, terms and conditions for optimal execution of this resolution, conducting all appropriate assessments and inquiries, as necessary, and discharging all related obligations and formalities, without any exclusions or exceptions."