

**DIRECTORS' REPORT TO THE ORDINARY SHAREHOLDERS' MEETING OF APRIL 29, 2021 PURSUANT TO ARTICLE 73 AND ANNEX 3A, SCHEDULE 4, OF THE ISSUERS' REGULATIONS.**

**Point 14 of the Agenda**

**Approval of the proposal for authorisation for the purchase of treasury shares in accordance with Article 2357 of the Civil Code: resolutions thereon.**

The Board of Directors of Avio S.p.A. (hereinafter the "**Company**" or "**Avio**"), in its meeting of March 19, 2021, resolved to call the ordinary Shareholders' Meeting of the Company, proposing to the shareholders to decide, *inter alia*, on the purchase of treasury shares pursuant to Article 2357 and following of the Civil Code, Article 132 of Legislative Decree No. 58 of February 24, 1998 and subsequent modifications and integrations (hereinafter the "**CFA**") and Article 144-*bis* of the Regulation adopted by Consob Resolution No. 11971 of May 14, 1999 and subsequent modifications and integrations (hereinafter the "**Issuers' Regulation**"). Accordingly, pursuant to Article 73 of the Issuers' Regulation, the Board of Directors approved this report in accordance with Annex 3A, Schedule 4, of the aforementioned Issuers' Regulations, presenting the purposes, conditions and characteristics of the requested authorisation to the shareholders.

## **1. Reasons for the requested authorisation to purchase and/or sell treasury shares**

The main objectives which the Board of Directors of Avio intends to pursue through the purchase and utilisation of treasury shares for which authorisation is requested are as follows:

- efficiently utilise liquidity generated by Company operations, also through medium-long-term investment in treasury shares;
- offering shareholders an additional tool to monetise their investment;
- using treasury 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;
- 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 authorisation requested would permit the Board of Directors to carry out repeated purchase and sales operations (or other utilization operations) of treasury shares on a revolving basis, also for fractions of the maximum authorised 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 authorisation granted by the Shareholders' Meeting.

## **2. Maximum number, category and nominal value of the shares to which the authorisation 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 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, 2021 Shareholders' Meeting"). The Company's shares are traded on the Mercato Telematico Azionario, organised and managed by Borsa Italiana, STAR segment.

At the Report's approval date, the Company had 671,233 ordinary treasury shares with no voting rights pursuant to Article 2357-*ter* of the Civil Code, equal to approx. 2.546% of the share capital.

None of the subsidiaries holds shares in Avio.

Taking into account the above, it is therefore proposed to give a mandate to Avio's Board of Directors to purchase the Company's treasury shares, in one or more tranches, in an amount freely determinable by the Board of Directors, up to a maximum revolving number of shares - considering the treasury shares,

from time to time, already in portfolio - in total not exceeding 10% of the share capital issued from time to time, and in any case within the limits established by law.

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

### **3. Information for evaluation purposes pursuant to Article 2357, paragraph 3, of the Civil Code**

Pursuant to Article 2357 of the Civil Code, the purchases of treasury shares 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 financial statements for the year ended December 31, 2020, to be approved by the Shareholders' Meeting on April 29, 2021, also called to approve this proposal to authorise the purchase and disposition of treasury shares, show available reserves of Euro 87,870 thousand as at December 31, 2020.

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 Organised and Managed by Borsa Italiana S.p.A. and the related Instructions; and, in any event, (iii) applicable laws and regulations.

### **4. Duration of authorisation**

The authorisation to purchase and dispose 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 authorised 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 not set a time limit on acts of disposition of the shares purchased, but allow 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.

### **5. Minimum and maximum payments for treasury shares purchased**

The purchase price of the treasury shares will be set from time to time on the basis of 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 authorise the purchase. In any event, it is proposed that the shares be purchased for a price per share not more than 10% (ten percent) below and not more than 10% (ten percent) above the price of the share recorded during the Borsa Italiana trading session on the day before each transaction, or for a different price in accordance with market practice or Regulation (EC) No. 596/2014 of the European Parliament and the Council of April 16, 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.

## 6. Methods of execution of the transactions

In view of the various objectives targeted by the treasury share transactions, it is proposed that authorisation 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 organised and managed by Borsa Italiana S.p.A., or through authorised intermediaries, and however according to market practice which does not permit the direct linking of purchase proposals with pre-determined sales proposals.

It is also proposed that the Shareholders' Meeting authorises 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 treasury 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 treasury 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 treasury 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 treasury shares for which authorisation 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 treasury shares will be adequately disclosed in accordance with applicable disclosure obligations.

## 7. 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.

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

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

*"The Ordinary Shareholders' Meeting of Avio S.p.A. meeting in ordinary session at the offices of ZNR Notai, Via Metastasio 5, Milan,*

- *having regard to Article 132 of Legislative Decree No. 58 of February 24, 1998, and subsequent modifications and integrations;*
- *having regard to Article 144-bis of the Regulation adopted by Consob Resolution No. 11971 of May 14, 1999 and subsequent modifications and integrations;*
- *having regard to Articles 2357 and 2357-ter of the Italian Civil Code;*
- *noting that, at today's date, Avio S.p.A. has in portfolio 671,233 ordinary treasury shares with no voting rights pursuant to Article 2357-ter of the Civil Code, equal to approx. 2.546% of the share capital;*
- *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, 2020 just approved;*
- *in view of the favourable opinion from the Board of Statutory Auditors;*

### **RESOLVES**

- 1) *to authorise the purchase of treasury shares in the Company, in one or more instalments, 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 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 authorisation is limited to purchases to be undertaken for the purposes illustrated in the Directors' Report;*
  - b) *in any event, the treasury 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 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 of April 16, 2014, for transactions subject to the said Regulation;*
  - c) *the authorisation for purchase is granted for a period of 18 (eighteen) months from the date on which this resolution is passed, whereas authorisation 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) *the purchases must be undertaken within the limits of the distributable profits and available reserves from the latest approved financial statements;*
  - e) *the purchases of treasury 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 organised 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 treasury shares that will be purchased in execution of the resolution set out in point 1 above will be used to:*
  - a) *efficiently utilise liquidity generated by Company operations, also through medium/long-term investment in treasury shares;*
  - b) *offer shareholders an additional tool to monetise their investment;*
  - c) *using treasury 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;*
  - d) *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.*
- 3) *to authorise 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 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."*