



ORDINARY & EXTRAORDINARY SHAREHOLDERS' MEETING

DECEMBER 20, 2024 - 11:30AM IN SINGLE CALL

**BOARD OF DIRECTORS' EXPLANATORY REPORT ON THE MATTERS ON THE
AGENDA**

***(IN ACCORDANCE WITH ARTICLE 125-TER OF LEGISLATIVE DECREE NO.
58/1998 AND ARTICLE 84-TER OF CONSOB REGULATION NO. 11971/1999)***

Dear Shareholders,

This report (the “**Report**”) was prepared by the Board of Directors of Avio S.p.A. (“**Avio**” or the “**Company**”) in accordance with Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented (the “**CFA**”) and Article 84-*ter* of the Regulation adopted with Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented (the “**Issuers’ Regulation**”), to outline the matters on the Agenda of the Shareholders’ Meeting called for December 20, 2024 in single call.

Specifically, you are called to consider the following Agenda:

Extraordinary session:

1. [Omitted]

Ordinary session:

1. **Appointment of statutory auditors for the nine-year period 2026-2034: resolutions thereon.**

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Ordinary session

1. **Appointment of statutory auditors for the nine-year period 2026-2034: resolutions thereon.**

Dear Shareholders,

The approval of the financial statements for the year ending December 31, 2025 brings to a natural end the mandate for the audit of accounts conferred by the Shareholders' Meeting of June 15, 2017 to the independent audit firm Deloitte & Touche S.p.A. ("**Deloitte**") for the nine-year period 2017-2025.

According to current legislation, and in specifically pursuant to European Regulation No. 537/2014 (the "**European Regulation**") and Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, which implemented the European Regulation, this mandate be renewed or conferred again unless at least four fiscal years have elapsed since the termination of the previous engagement. The new statutory audit engagement must therefore be conferred by the Company's Shareholders' Meeting upon the reasoned proposal of the Board of Statutory Auditors, pursuant to Article 13 of Legislative Decree No. 39/2010.

We note that Article 16(4) of the European Regulation provides that the selection procedure to appoint a new independent audit firm, according to the manner provided under Article 16(3) of the European Regulation, does not apply to PIEs (therefore also including companies listed on regulated markets) categorised as SMEs.

As expressly stated in the Listing Prospectus available on the Company's website (www.avio.com - investors section) and as described in the latest Corporate Governance and Ownership Structure Report, Avio is still an SME. We also note that, pursuant to Article 17(1) of Legislative Decree No. 39/2010 and the European Regulation, the Shareholders' Meeting, on the reasoned proposal of the Board of Statutory Auditors, confers the audit of the accounts and establishes the fees due to the Independent Audit Firm for the entire appointment and any amending criteria for these fees during the year.

In order to (i) ensure compliance with the limits introduced by the European Regulation to guarantee the independence of the incoming statutory audit firm (the "cooling-in period" provided for under Article 5 of the European Regulation and Article 17, paragraph 3-*bis* of Legislative Decree No. 39/2010, pursuant to which the auditor must refrain from providing certain services, other than the statutory audit, during the fiscal year immediately preceding the first year of the audit) and (ii) enable an efficient transition process between the outgoing auditor and the new appointee, the Company has shared with the Board of Statutory Auditors its decision - as is now common practice among listed companies - the begin in advance the selection procedure to assign the statutory audit engagement for the nine-year period 2026-2034.

In this regard, the Board of Statutory Auditors - through the Company's internal structures - received

three separate offers for the statutory audit engagement for the fiscal years 2026 to 2034, which will expire on the date of the Shareholders' Meeting called to approve the financial statements for the last fiscal year covered by the engagement.

Following this selection process, the Board of Statutory Auditors, having evaluated the bids received, formulated its reasoned proposal pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 16 of the European Regulation (the "**Reasoned Proposal**"), which is attached to this Report.

Specifically, the Board of Statutory Auditors has deemed it appropriate to submit to the Shareholders' Meeting, as alternatives to each other, the two proposals for the mandate for the statutory audit of the Company's accounts for the nine-year period 2026-2034 made by EY S.p.A. and KPMG S.p.A.. The Board unanimously expressed its preference for KPMG S.p.A., which was found to be the candidate company with the highest ranking and, therefore, considered by the Board of Statutory Auditors to be most suitable for the performance of the assignment.

At its meeting on November 20, 2024, the Board of Directors acknowledged the results of the selection procedure and the Reasoned Proposal prepared by the Board of Statutory Auditors.

In light of the above, the Board of Directors proposes that the Shareholders' Meeting appoint the new independent audit firm for the nine-year period 2026-2034 according to the terms and conditions set out in the Reasoned Proposal, to which reference should be made in full for more detail both with regard to the criteria, procedure, evaluation, and scoring assigned to the bidding firms, and with regard to the proposed resolution.

Rome, November 20, 2024

The Board of Directors

REASONED PROPOSAL OF THE BOARD OF STATUTORY AUDITORS, IN ITS ROLE AS THE INTERNAL CONTROL AND AUDIT COMMITTEE, FOR THE APPOINTMENT OF THE INDEPENDENT AUDIT FIRM FOR THE 2026 - 2034 PERIOD PURSUANT TO ARTICLE 13, PARAGRAPH 1 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010 AND ARTICLE 16 OF EU REGULATION NO. 537/2014

To the Shareholders' Meeting of Avio S.p.A.
registered office in Rome at Via Bissolati No. 76

With the Shareholders' Meeting called to approve the financial statements at December 31, 2025, the legally-required audit appointment awarded for the 2017 - 2025 nine-year period to the independent audit firm Deloitte & Touche S.p.A. will come to a natural conclusion. In view of the "cooling-off" obligation under Article 17 of Legislative Decree No. 39 of January 27, 2010 (the "**Decree**"), this appointment may not be renewed.

So as to comply with the principle of auditor independence, as required under the applicable rules, and to facilitate the handover between the outgoing independent audit firm and the incoming independent auditor with a consequent benefit for the Company in terms of the quality and continuity of the activity, taking account of established best practice, the Board of Statutory Auditors has agreed with Avio S.p.A. ("**Avio**" or the "**Company**") to begin the selection process for the new auditor for the nine-year period 2026-2034.

In particular, the ban on providing non-audit services in the "cooling-in period" governed by Article 5 of Regulation (EU) No. 537/2014 (the "**Regulation**") was examined.

Article 13 of the Decree provides that "[...] *the Shareholders' Meeting, having received the reasoned proposal of the control body, shall appoint the independent auditor or independent audit firm for the entire term of the engagement and determine the fee payable for the entire term and any criteria for adjusting such during the appointment*".

In addition, for public interest entities, Article 17 of the Decree stipulates that "*the legally-required audit engagement shall be for a period of nine fiscal years for independent audit firms and seven fiscal years for independent auditors*" and that such "*may not be renewed or re-appointed unless at least four years have elapsed since the conclusion date of the previous appointment.*"

On October 22, 2024, the Board of Statutory Auditors agreed with the relevant structures of Avio the selection process of the independent auditor for the 2026-2034 period ("**Selection Process**"), defining the subject, the manner of the selection process, the requirements for participation, and the evaluation criteria.

Firstly, a pre-selection was made of the companies to be invited to the tender, identified on the basis of transparent and non-discriminatory criteria, in terms of revenue, for the appointment of the independent audit firm.

On November 5, 2024, a working group composed of the Executive Officer for Financial Reporting, the Head of Corporate Affairs & Integrated Compliance, and the Supply Chain & Procurement Function (the "**Working Group**") was set up.

Therefore, the preliminary and evaluation activity of the offers was started with the contribution of the members of the Working Group and with the participation of the relevant structures of Avio.

As a result of this work, the Board of Statutory Auditors prepared the reasoned proposal with two possible alternatives for the appointment of the independent auditor and the expression of a preference to be submitted to the Shareholders' Meeting of Avio called to consider the appointment of the role.

A handwritten signature in black ink, appearing to be a stylized name or set of initials.

The activities to be assigned as a result of the Selection Process are as follows:

- the legally-required audit pursuant to Articles 14 and 16 of Legislative Decree No. 39 of January 27, 2010, and Articles 155 and subsequent of Legislative Decree No. 58 of February 24, 1998, of the statutory financial statements and Group's consolidated financial statements and verification of the consistency of the Directors' Report as per Article 14, paragraph 2, letter e), of Legislative Decree No. 39 of January 27, 2010, and the "Corporate Governance and Ownership Structure Report", limited to the information set out as per Article 123-bis, paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of Legislative Decree No. 58 of February 24, 1998 with the statutory financial statements and with the consolidated financial statements;
- verification, as per Article 14, paragraph 1, letter b of Legislative Decree No. 39 of January 27, 2010, of the correct recording of operational activities in the underlying accounting entries;
- limited legally-required audit of the condensed half-year financial statements prepared in accordance with the applicable international accounting standard (IAS 34) adopted by the European Union, pursuant to Article 154-ter, paragraph 2, of Legislative Decree No. 58 of February 24, 1998, and Consob Resolution No. 10867 of July 31, 1997;
- audit for the issue of the declaration of compliance regarding sustainability reporting required by Directive (EU) 2022/2464 of December 14, 2022 (Corporate Sustainability Reporting Directive, hereinafter also "CSRD") and by Legislative Decree No. 125/2025 which transposed the CSRD, including the Avio Group Taxonomy;
- preliminary activities for signing tax returns in accordance with Article 1, paragraph 5, of Presidential Decree No. 322 of July 22, 1998 of Italian-registered companies;
- legally-required audit of the following subsidiaries: *Spacelab S.p.A.*, *SE.CO.SV.IM S.r.l.*, *Temis S.r.l.*, *Avio Guyana S.a.S.*;
- audit of the items deemed significant in the reporting packages of the subsidiaries, including Avio USA, prepared for the purposes of the Group's consolidated financial statements.

Through the relevant structures of Avio, three technical proposals and related financial offers were therefore received by the Board of Statutory Auditors.

Following receipt, evaluation activities began according to the criteria previously defined with the Working Group.

As part of its activities, the Board of Statutory Auditors was supported by the Working Group, supplemented where needed by the relevant structures of Avio.

The following table created for the evaluation criteria was therefore used :

Criteria	Maximum score
Technical Offer	70
Financial Offer	30
Total	100



- Components of the technical offer

	COMPONENTS	DESCRIPTION	MAXIMUM SCORE
A	Audit method	Transition management, methodological approach, main audit procedures	15
B	Knowledge of the Aerospace&Defence industry with particular reference to the space and defence launcher industry in which the client operates	Experience gained in the relevant context	25
C	Quality of the proposed Work Team for Avio	C1) Composition of the Work Team including specialists involved	15
		C2) Relevant experience of the Work Team (based on the curriculum vitae)	15
	TOTAL SCORE		70

- Financial offer breakdown

The financial offer may be awarded a maximum score of 30 points. The offer with the lowest financial amount is awarded the maximum score of 30 points; the other scores are calculated by applying the following formula:

$$FS = [Amt (min)] / [Amt (offered)] * 30$$

FS = financial score;

[Amt (min)] = lowest total financial amount among the offers received;

[Amt (offered)] = total financial amount offered by the competitor under consideration.

The offers in question were received by Avio on November 11, 2024 from *i) EY S.p.A., ii) KPMG S.p.A., iii) PricewaterhouseCoopers S.p.A.*, companies enrolled in the register indicated by Article 7 of the Decree and contain the explicit commitment to verify the occurrence of the situations governed by Articles 10 ("*Independence and Objectivity*") and 17 ("*Independence*") of the Decree and based on the definitions of Article 149-bis of the Issuers' Regulation, in addition to Articles 149-quater to 149-undecies of the same Regulation.

For the purpose of the verification and constant monitoring of the absence of causes of incompatibility that could compromise the legally-required audit appointment, each candidate has:

- declared in the offer the verification of the non-existence of causes of incompatibility deemed applicable to the case;
- invited the company awarding the legally-required audit engagement to promptly report any changes in its shareholder structure and that of its subsidiaries, parent companies or jointly-controlled companies;



- undertaken a commitment to confirm annually in writing to the internal control and audit committee its independence and to inform the latter of any non-audit services also provided by its own network, as well as to discuss with it the risks to its independence and appropriate preventive measures;
- in accordance with Article 17 of the Decree, undertook a commitment to notify the awarding company of the name of another person responsible for auditing the financial statements within the limit of 7 fiscal years.

In accordance with Articles 11 and 12 of the Decree, for the purpose of carrying out the legally-required audit activities, the examined offers indicate the adoption of the International Standards on Auditing (ISA Italy) adopted with the Rulings by the State General Accountant ("*Ragioniere Generale dello Stato*").

As a result of the analysis of professional and organisational profiles carried out - specifically with regard to: *i)* audit methodology, *ii)* knowledge of the Aerospace&Defence sector with particular reference to the space launchers and defence sector in which the client operates, *iii)* quality of the proposed Work Team for Avio, and *iv)* fees - the Board of Statutory Auditors conducted the analysis of the technical, qualitative and quantitative aspects of the offers.

Based on the assessments carried out, the Board of Statutory Auditors admitted the companies EY S.p.A. and KPMG S.p.A. to the next stage of selection.

Based on the offers, the hours and fees for the 2026-2034 period are as follows:

Avio S.p.A. Group				
Services	EY S.p.A.		KPMG S.p.A.	
	Hours 2026-2034	Fees 2026-2034	Hours 2026-2034	Fees 2026-2034
1) Audit of the statutory financial statements of Avio S.p.A. and subsidiaries	19,746	1,597,500	16,686	1,214,640
2) Audit of the consolidated financial statements of the Avio Group	4,518	396,000	5,832	408,618
3) Limited audit of the Avio Group's consolidated half-year report	5,058	405,000	2,988	209,142
4) Review of "CSR" compliant sustainability reporting including the Avio Group Taxonomy	5,733	459,000	7,506	525,600
5) Presentation of Tax Forms	702	58,500	765	54,000
Total 2026-2034	35,757	2,916,000	33,777	2,412,000



In addition to out-of-pocket and/or incidental expenses, contributions (Social Security Contributions, Consob or other supervisory authorities), VAT and adjustments based on the change in the ISTAT cost-of-living index against the average for the twelve previous months.

The Board of Statutory Auditors continued its evaluations by meeting with representatives of the two shortlisted companies.

On the basis of the information acquired, there is no evidence that would compromise the independence of the candidates or the existence of grounds for their incompatibility.

The Board of Statutory Auditors, having reviewed the technical proposals and the relative financial offers and having assessed the technical-qualitative and quantitative aspects, taking into account that Article 16, paragraph 2, of Regulation (EU) No. 537/2014 stipulates that the reasoned proposal of the Board of Statutory Auditors must contain at least two possible alternatives and that the Board of Statutory Auditors expresses a duly justified preference for one, based on the analysis of all of the activities carried out,

PROPOSES

to the Shareholders' Meeting of Avio to assign the legally-required audit engagement for the financial years 2026 - 2034, alternately to EY S.p.A. or to KPMG S.p.A. and between the two

EXPRESSES ITS PREFERENCE

for KPMG S.p.A., as this latter has submitted a technical proposal and a related financial offer that achieved the highest score on evaluating the technical-qualitative and financial aspects pursuant to the evaluation criteria. KPMG S.p.A. appears, therefore, to be the independent audit firm most suitable for the performance of the engagement in view of the reasons stated above.

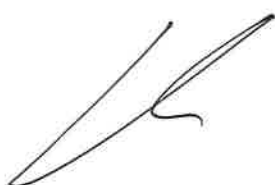
The Board of Statutory Auditors, in accordance with Article 16, paragraph 2 of Regulation (EU) No. 537/2014 declares that this report has not been influenced by third parties and none of the clauses of the type indicated in paragraph 6 of Article 16 of Regulation (EU) No. 537/2014 have been applied.

Therefore, the Board of Statutory Auditors of Avio proposes that the Shareholders' Meeting make the appropriate resolutions as follows.

Dear Shareholders,

on the basis of the Reasoned Proposal of the Board of Statutory Auditors' and

- noting that with the approval of the financial statements for the year ended December 31, 2025 by the Shareholders' Meeting of Avio, the term of the independent audit firm Deloitte & Touche S.p.A., appointed by the Shareholders' Meeting for the period 2017 - 2025, will conclude;
- noting that the selection procedure adopted by Avio has met all the requirements of Legislative Decree No. 39/2010, as subsequently amended and supplemented, and Regulation (EU) No. 537/2014;
- noting that Article 16 of the (EU) Regulation requires that the Reasoned Proposal of the Board of Statutory Auditors contain at least two possible alternatives for the appointment, and that it also indicate - justifying such - the Control Body's preference for one of them;



SECTION A1

In accordance with the applicable regulation, we invite you to consider

- a) the awarding of the legally-required audit engagement of Avio for each of the nine fiscal years from 2026 to 2034 to KPMG S.p.A. with registered office in Milan at Via Vittor Pisani No. 25 which received the highest level of approval by the Board of Statutory Auditors as considered most suitable for the engagement on conclusion of the selection procedure carried out with adequate technical-qualitative and financial criteria, under the terms and for the fees reported in the Reasoned Proposal of the Board of Statutory Auditors, which also indicates the criteria for the adjustment of such fees, based on the change in the ISTAT index relating to the cost of living compared to the average of the previous twelve months;
- b) the granting of authority to the Chief Executive Officer, with the power to delegate to third parties, to ensure, with all broader powers necessary and/or appropriate, the implementation of this Shareholders' Meeting resolution.

SECTION A2

in the alternative, and where the Shareholders' Meeting decided not to appoint the company KPMG S.p.A. as per the resolution in the previous section,

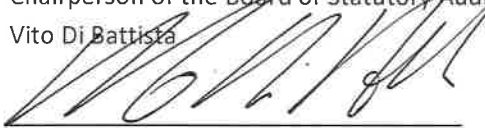
In accordance with the applicable regulation, we invite you to consider

- a) the awarding of the legally-required audit engagement of Avio for each of the nine fiscal years from 2026 to 2034 to EY S.p.A. with registered office in Milan at Via Meravigli No. 12 which was ranked second by the Board of Statutory Auditors, and also considered suitable for the engagement, under the terms and for the fees reported in the Reasoned Proposal of the Board of Statutory Auditors, which also indicates the criteria for the adjustment of such fees, based on the change in the ISTAT index relating to the cost of living compared to the average of the previous twelve months;
- b) the granting of authority to the Chief Executive Officer, with the power to delegate to third parties, to ensure, with all broader powers necessary and/or appropriate, the implementation of this Shareholders' Meeting resolution.

Rome, November 18, 2024

Chairperson of the Board of Statutory Auditors

Vito Di Battista



Statutory Auditor

Mario Busso



Statutory Auditor

Michela Zeme

