



SHAREHOLDERS' AGM
MAY 6, 2020 – 11AM, IN SINGLE CALL

REPORT OF THE BOARD OF DIRECTORS ON THE MATTERS ON THE AGENDA
*(in accordance with Article 125-ter, 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 motion 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 April 6, 2020 in single call.

In particular, you are called to consider the following agenda:

1. Financial Statements at December 31, 2019. Presentation of the consolidated financial statements at December 31, 2019. Reports of the Board of Directors, Board of Statutory Auditors and of the Independent Audit Firm. Allocation of the net profit. Resolutions thereon;
2. Remuneration Policy and Report pursuant to Article 123-*ter*, paragraph 3-*bis* and 6 of Legislative Decree No. 58/98:
 - 2.1. First Section: remuneration policy report. Binding motion;
 - 2.2. Second Section: report on remuneration paid. Non-binding motion.
3. Appointment of the Board of Directors. Resolutions thereon.
 - 3.1. Number of Board members.
 - 3.2. Establishment of the duration of mandate of the Board of Directors.
 - 3.3. Appointment of the Board of Directors.
 - 3.4. Establishment of the remuneration of the members of the Board of Directors.
4. Appointment of the Board of Statutory Auditors for the 2020-2022 period. Resolutions thereon.
 - 4.1. Appointment of three Statutory Auditors and two Alternate Auditors.
 - 4.2. Appointment of the Chairman of the Board of Statutory Auditors.
 - 4.3. Establishment of the remuneration of the Board of Statutory Auditors.

*** *** ***

Proposals on the matters on the Agenda:

1. **Financial Statements at December 31, 2019. Presentation of the consolidated financial statements at December 31, 2019. Reports of the Board of Directors, Board of Statutory Auditors and of the Independent Audit Firm. Allocation of the net profit. Resolutions thereon.**

Dear Shareholders,

The Shareholders’ Meeting will be called to approve the separate financial statements at December 31, 2019 of the company, accompanied by the Directors’ Report.

All the documentation concerning this matter will be made available to the public, within the terms required by applicable provisions and regulations, at the registered office of the company, on the website www.avio.com, “*Investors - Financial documents*” section, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism “eMarket STORAGE”, together with the Board of Statutory Auditors’ Report and the Independent Auditors’ Report on the Statutory Financial

Statements of Avio S.p.A. for the year ended December 31, 2019. The shareholders have the right to obtain a copy.

“Considering the Directors’ Report, we invite you to approve the separate financial statements of Avio S.p.A. at December 31, 2019, prepared as per IFRS, together with the accompanying reports, which present a net profit of Euro 28,560,398.

In this regard, the Board of Directors of Avio S.p.A., at its meeting on March 25, 2020, in view of the significant change in the global economic scenario caused by the spread of the COVID-19 viral pandemic, has noted - at the date of the approval of the financial statements - the unpredictability of operating and financial cash flows for the current year, ahead of a better understanding of the development of the epidemic and its possible effects on the industry. It therefore has deemed it appropriate - as a precautionary measure and in order to further strengthen the financial structure of the Company - to contain in the short-term financial outflows as much as possible, proposing to the Shareholders’ Meeting the allocation of the 2019 net profit of Euro 28,560,398 million entirely to retained earnings.

The prospects for future dividend distributions will be reassessed once the effects of the current socio-economic emergency resulting from COVID-19 are clearer, and in any case not before the closure of the 2020 half-yearly financial statements.

Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders’ Meeting of Avio S.p.A.:

having examined the Financial Statements of Avio S.p.A. at and for the year ended December 31, 2019, accompanied by the Directors’ Report, Board of Statutory Auditors’ Report, Independent Auditors’ Report and additional documentation required by law,

RESOLVES

- *to approve the 2019 Separate Financial Statements of Avio S.p.A.;*
- *to allocate the net profit of Avio S.p.A. for 2019 of Euro 28,560,398 to retained earnings”*

2. Remuneration Policy and Report pursuant to Article 123-ter, paragraph 3-bis and 6 of Legislative Decree No. 58/98. 2.1 First Section: Report on remuneration policy. Binding motion. 2.2 Second Section: report on remuneration paid. Non-binding motion.

Dear Shareholders,

the Shareholders’ Meeting will be called to approve, as per Article 123-ter, paragraphs 3-bis and 6, of the CFA, the Remuneration policy and report of the company, prepared pursuant to the above-mentioned article of the CFA and Article 84-quater of the Issuers’ Regulation, which illustrates (i) in the First Section, the remuneration policy regarding the members of the Board of Directors, the General Managers and the Senior Executives, in addition to the procedures utilised for the adoption and implementation of this policy and (ii) in the Second Section, for members of Boards of Directors and Boards of Statutory Auditors, General Managers and, in collective form, Senior Executives, an

adequate representation of the accounts that comprise remuneration and the compensation paid during the reporting year in any capacity and in any form by the Company and by its associates and subsidiaries, together with an illustration of the compensation to be paid in one or more subsequent years for service rendered during the reporting year.

For further information, reference should be made to the text made available to the public at the registered office of the company, on the company website at www.avio.com, “Corporate Governance” section, on the website of Borsa Italiana S.p.A. and on the authorised storage facility “eMarket STORAGE”, at least 21 days before the date fixed for the Shareholders’ Meeting.

The shareholders are reminded that:

- pursuant to Article 123-ter, paragraph 3-ter, of the CFA, will be called to vote on Section I of the Remuneration Policy and Report (in favour or against). The resolution is binding;
- pursuant to Article 123-ter, paragraph 6 of the CFA, will be called to vote on Section II of the “Remuneration Policy and Report” (in favour or against). The resolution is not binding. The results of the vote will be made available to the public in accordance with Article 125 quater, paragraph 2 of the CFA.

Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders’ Meeting of Avio S.p.A.:

having examined the Remuneration policy and report pursuant to Article 123-ter of the CFA, made available to the public on March 30, 2020,

RESOLVES

- *to approve Section I, drawn up as per Article 123-ter of the CFA, paragraph 3, containing the remuneration policies of Avio S.p.A.;*
 - *to resolve in favour, pursuant to Article 123-ter of the CFA, paragraph 6 (consultative, non-binding vote), of Section II, drawn up as per Article 123-ter of the CFA, paragraph 4.”*
- 3. Appointment of the Board of Directors. Resolutions thereon. 3.1 Establishment of the number of Directors. 3.2 Establishment of the duration of mandate of the Board of Directors. 3.3 Appointment of the members of the Board of Directors. 3.4 Establishment of the remuneration of the Board of Directors.**
- 4. Appointment of the Board of Statutory Auditors for the 2020-2022 period. Resolutions thereon. 4.1 Appointment of three Statutory Auditors and two Alternate Auditors. 4.2 Appointment of the Chairman of the Board of Statutory Auditors. 4.3 Establishment of the remuneration of the Board of Statutory Auditors.**

Dear Shareholders,

the Shareholders’ Meeting will be called on to resolve on the appointment of the Company’s boards according to the slates presented at least 25 days prior to the date fixed for the Shareholders’ Meeting

and published at least 21 days prior to the date of the Shareholders' Meeting. For further information on this subject, see the Report on the appointment of the Board of Directors and the Board of Statutory Auditors, already made available to the public today at the registered office of the company, on the company website at www.avio.com, "*Corporate Governance*" section and on the authorised storage facility "eMarket STORAGE".

Rome, March 27, 2020

On behalf of the Board of Directors

The Chairman of the Board of Directors

Mr. Roberto Italia