



SHAREHOLDERS' MEETING

APRIL 23, 2024 - 11:30AM IN SINGLE CALL

**BOARD OF DIRECTORS' EXPLANATORY REPORT 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 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 April 23, 2024 in single call.

Specifically, you are called to consider the following Agenda:

1. Financial Statements at December 31, 2023.
 - 1.1. Approval of the Financial Statements at December 31, 2023. Presentation of the Consolidated Financial Statements at December 31, 2023. Reports of the Board of Directors, Board of Statutory Auditors and of the Independent Audit Firm.
 - 1.2. Allocation of the net profit. Resolutions thereon.
 - 1.3. Extraordinary distribution of reserves (extraordinary dividend): resolutions thereon.
2. Remuneration Policy and Report pursuant to Article 123-*ter*, paragraphs 3-*bis* and 6 of Legislative Decree No. 58/1998:
 - 2.1. Section I: remuneration policy. Binding resolution;
 - 2.2. Section II: report on remuneration paid. Non-binding resolution.
3. Proposal to approve two company share-based remuneration plans as per Article 114-*bis* of Legislative Decree No. 58/1998: conferral of power, resolutions thereon:
 - 3.1. Approval of the “2024-2026 Performance Share Plan”;
 - 3.2. Approval of the “2024-2026 Restricted Share Plan”.
4. Approval of the proposal for authorisation for the purchase of treasury shares in accordance with Article 2357 of the Civil Code.

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Proposals on the items on the Agenda:

- 1. Financial statements for the year ended December 31, 2023.**
 - 1.1. Approval of the Financial Statements at December 31, 2023. Presentation of the Consolidated Financial Statements at December 31, 2023. Reports of the Board of Directors, Board of Statutory Auditors and of the independent audit firm.**
 - 1.2. Allocation of the net profit. Resolutions thereon.**

Dear Shareholders,

The Shareholders' Meeting will be called to approve the separate financial statements at December 31, 2023 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, in the "Investors - Shareholders' Meeting 2024" 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 for the year ended December 31, 2023. 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, 2023, prepared as per IFRS, together with the accompanying reports, which present a net profit for 2023 of Euro 5,708,107.

In this regard, meeting on March 13, 2024, the Board of Directors of Avio S.p.A. deemed it appropriate to approve a motion proposal to the Shareholders' Meeting related to the allocation of the 2023 net profit of Euro 5,708,107 to dividends for Euro 3,750,000.

Considering the above, we present for your approval the following motion on point 1.1 of the Agenda:

"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, 2023, accompanied by the Directors' Report, Board of Statutory Auditors' Report, Independent Auditors' Report and additional documentation required by law,*

RESOLVES

- *to approve the 2023 Separate Financial Statements of Avio S.p.A.”*

We therefore present for your approval the following motion on point 1.2 of the Agenda:

“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, 2023, accompanied by the Directors' Report, Board of Statutory Auditors' Report, Independent Auditors' Report and additional documentation required by law,*
- *having acknowledged that the legal reserve is at least equal to one-fifth of the share capital as per the requirements of Article 2430, paragraph 1 of the Civil Code;*

RESOLVES

- *to allocate the net profit of Avio S.p.A. for 2023 totalling Euro 5,708,107, as follows:*
 - *Euro 3,750,000 as dividend;*
- *distributing a unitary dividend of Euro 0.14841, before withholding taxes, for each of the ordinary shares in circulation with no par value, net of treasury shares. It should be noted that in the event that the total number of shares of the Company currently in circulation increases, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares in circulation. In accordance with Article 2357-ter of the Civil Code, no dividend was attributed to treasury shares held in the portfolio on the ex-dividend date. The dividend will be paid out with ex-dividend date of April 29, 2024, date of dividend distribution rights as per Article 83-terdecies of Legislative Decree No. 58 of February 24, 1998 (record date) of April 30, 2024, and payment date of May 2, 2024;*
 - *Euro 1,958,107 to retained earnings;*
- *to confer upon the Chairperson and the Chief Executive Officer, freely and severally, all the powers to execute this resolution;*

1.3. Extraordinary distribution of reserves (extraordinary dividend): resolutions thereon.

Dear Shareholders,

the Shareholders' Meeting will be called upon to approve the distribution to shareholders of a total amount of Euro 2,250,000 as an extraordinary dividend. This dividend will be funded by a partial use for a corresponding sum of the distributable "Retained earnings/(losses)" reserve, currently amounting to Euro 44,515,557 (and which will therefore be reduced to Euro 42,265,557).

As such, for each of the 25,268,139 ordinary shares currently in circulation, net of treasury shares, the amount of Euro 0.08904, before withholding taxes, will be paid, allocating any indivisible remainder back to "Retained earnings/(losses)". It should be noted that in the event that the total number of shares of the Company currently in circulation increases, the total amount of dividend will remain unchanged, while the unitary amount will be automatically adjusted to the new number of shares in circulation. In accordance with Article 2357-*ter* of the Civil Code, no dividend was attributed to treasury shares held in the portfolio on the ex-dividend date.

The extraordinary dividend will be paid out in a single payment with ex-dividend date of April 29, 2024, record date April 30, 2024, and payment date May 2, 2024.

The Board of Directors notes that:

- the Company has not incurred losses that affected the reserves as per the financial statements for the year ended December 31, 2023;
- as indicated below, the Company has reserves available greater than the amount of the extraordinary dividend;
- distribution of the extraordinary dividend, for the amount proposed, is financially sustainable and does not jeopardise the equity, financial and operating equilibrium of the Company.

As noted above, the extraordinary dividend will be taken from the "Retained earnings/(losses)" reserve, totalling Euro 44,515,557 as indicated in the financial statements of Avio S.p.A. for the year ended December 31, 2023; Given that the amount to be taken from the "Retained earnings/(losses)" reserve for the purposes of distribution of the extraordinary dividend totals

no more than Euro 2,250,000, the balance of the “retained earnings/(losses)” allows the distribution of the extraordinary dividend as proposed.

It is hereby noted that, as of the date of this report, the "Retained earnings/(losses)" reserve continues to exist and is available.

Considering the above, we present for your approval the following motion:

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

- *having examined the explanatory report of the Board of Directors, prepared in accordance with Article 125-ter of Legislative Decree No. 58/1998 and Article 84 of the Regulation adopted with Consob Resolution No. 11971 of May 14, 1999, published in accordance with law, and having acknowledged the proposal contained therein;*
- *having acknowledged the declaration of the Board of Directors regarding the balance and availability of the “Retained earnings/(losses)” reserve, totalling Euro 44,515,557, which allows the distribution of the extraordinary dividend as proposed by the Board of Directors;*
- *considering, therefore, the existence of adequate available reserves, the Company not having incurred losses that affected the reserves as per the financial statements for the year ended December 31, 2023;*

RESOLVES

- *to distribute to Shareholders, through partial use of the “Retained earnings/(losses)” reserve, an extraordinary dividend totalling Euro 0.08904, before withholding taxes, for each of the ordinary shares with no par value currently in circulation and net of treasury shares and therefore, a total dividend of Euro 2,250,000. It should be noted that in the event that the total number of shares of the company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares. In accordance with Article 2357-ter of the Civil Code, no dividend was attributed to treasury shares held in the portfolio on the ex-dividend date. The extraordinary dividend will be paid out with ex-dividend date of April 29, 2024, date of payment distribution rights as per Article 83-terdecies of Legislative Decree No. 58 of February 24, 1998 (record date) of April 30, 2024, and payment date of May 2, 2024.*
- *to grant to the Chairperson of the Board of Directors and the Chief Executive Officer, severally, with the power to sub-delegate, within the terms of the law, the broadest powers necessary and/or appropriate, none excluded, to execute this resolution."*

2. Remuneration Policy and Report pursuant to Article 123-ter, paragraphs 3-bis and 6 of Legislative Decree No. 58/1998:

2.1. Section I: remuneration policy. Binding resolution.

2.2. Section II: report on remuneration paid. Non-binding resolution.

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 aforementioned article of the CFA and Article 84-*ter* 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, by name for members of Boards of Directors and Boards of Statutory Auditors, General Managers and, in collective form, Senior Executives, an adequate, clear and comprehensible representation of the items making up their remuneration, including the treatments provided for in the event of termination of office or termination of employment, highlighting their compliance with the Remuneration Policy and the way in which the remuneration contributes to the long-term results of the Company, 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 its website at www.avio.com, in the "Investors - Shareholders' Meeting 2024" section, on the Borsa Italiana S.p.A. website, and on the authorised storage mechanism "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, 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 the above, we present for your approval the following motion on point 2.1 of the Agenda:

“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 22, 2024,

RESOLVES

- *to approve Section I of the Remuneration Policy and Report, drawn up as per Article 123-ter of the CFA, paragraph 3, containing the remuneration policies of Avio S.p.A.”*

We present for your approval the following motion on point 2.2 of the Agenda:

“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 22, 2024,

RESOLVES

- *- in favour, pursuant to Article 123-ter of the CFA, paragraph 6 (consultative, non-binding vote), of Section II of the Remuneration Policy and Report, drawn up as per Article 123-ter, paragraph 4 of the CFA.”*

3. Proposal of two company share-based remuneration plans as per Article 114-bis of Legislative Decree No. 58/1998: resolutions thereon:

3.1. Approval of the “2024-2026 Performance Share Plan”;

3.2. Approval of the “2024-2026 Restricted Share Plan”.

Dear Shareholders,

the Board of Directors resolved at the Avio Board meeting held on March 13, 2024, to submit

for the Shareholders' Meeting approval the proposal to adopt two different remuneration plans based on financial instruments, drawn up on the proposal of the Appointments and Remuneration Committee, for executives and employees of the Company and the Avio Group.

Specifically, the Board of Directors submits to you the following plans:

- a share-based incentive plan called the “2024-2026 Performance Share Plan ” for the Chief Executive Officer/General Manager, Senior Executives and other managers;
- a retention plan called the “2024-2026 Restricted Share Plan” for Avio Group employees, identified by the Board of Directors from among those who play a key role in achieving Avio's strategic goals. Neither the Chief Executive Officer/General Manager nor Senior Executives from the Company are among the recipients of the “2024-2026 Restricted Share Plan”.

In line with best practice in the relevant industry, the “2024-2026 Performance Share Plan” provides for a three-year performance period, the grant and allocation of shares subject to Board of Directors verification of the performance targets achieved over the three-year period, in order to incentivise and engender loyalty.

The “2024-2026 Restricted Share Plan” provides for the grant and allocation of shares free of charge to beneficiaries identified by the Board of Directors at the conclusion of a vesting period which lasts 36 months from the date of grant.

The description of the purposes and characteristics of the 2024-2026 Performance Share Plan and the 2024-2026 Restricted Share Plan is contained in more detail in the respective Prospectuses prepared by the Board of Directors pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation, attached to this Report and available to the public within the terms and in the manner provided for by current regulations, including by publication on the Company's website.

3.1. Approval of the “2024-2026 Performance Share Plan”

Considering the above, the Board of Directors submits for your approval the following motion:

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

- *having examined the Prospectus prepared pursuant to Article 114-bis of the CFA and Article 84-bis of Consob Regulation No. 11971 of May 14, 1999 regarding the 2024-2026 Performance Share Plan;*
- *having reviewed the Board of Directors' explanatory report, drawn up as per the combined provisions of Articles 114-bis and 125-ter of the CFA;*

RESOLVES

- *to approve, pursuant to and in accordance with Article 114-bis of the CFA, the adoption of a company share-based remuneration plan called the "2024-2026 Performance Share Plan" in accordance with the explanatory report and the related Prospectus;*
- *consequently, to grant the Board of Directors, with the power to sub-delegate, within the limits of the law, all powers necessary to enact the aforementioned plan;*
- *to confer on the Chairperson of the Board of Directors and the Chief Executive Officer, freely and severally, all powers to carry out the legislative and regulatory fulfilments resulting from the adopted resolutions."*

3.2. Approval of the "2024-2026 Restricted Share Plan"

Considering the above, the Board of Directors submits for your approval the following motion:

"The ordinary session of the Shareholders' Meeting of Avio S.p.A.:

- *having examined the Prospectus prepared pursuant to Article 114-bis of the CFA and Article 84-bis of Consob Regulation No. 11971 of May 14, 1999 regarding the 2024-2026 Restricted Share Plan;*
- *having reviewed the Board of Directors' explanatory report, drawn up as per the combined provisions of Articles 114-bis and 125-ter of the CFA;*

RESOLVES

- *to approve, pursuant to and in accordance with Article 114-bis of the CFA, the adoption of a company share-based remuneration plan called the "2024-2026 Restricted Share Plan" in accordance with the explanatory report and the related Prospectus;*
- *consequently, to grant the Board of Directors, with the power to sub-delegate, within the limits of the law, all powers necessary to enact the aforementioned plan;*

- *to confer on the Chairperson of the Board of Directors and the Chief Executive Officer, freely and severally, all powers to carry out the legislative and regulatory fulfilments resulting from the adopted resolutions."*

4. Approval of the proposal for authorisation for the purchase of treasury shares in accordance with Article 2357 of the Civil Code

Dear Shareholders,

The Shareholders' Meeting shall be called to approve, in accordance with Article 2357 of the Civil Code, the proposal to authorise the purchase of treasury shares, as outlined in the Board of Directors' Explanatory Report prepared in compliance with Article 73 and Annex 3A, schedule 4 of the Issuers' Regulation and made available to the public at the registered office of the company, on the Company website at www.avio.com, in the "Investors - Shareholders' Meeting 2024" section, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism "eMarket STORAGE", at least 21 days before the date fixed for the Shareholders' Meeting.

"The ordinary session of the Shareholders' Meeting of Avio S.p.A.:

- *having regard to Article 132 of Legislative Decree No. 58 of February 24, 1998, as amended and supplemented;*
- *having regard to Article 144-bis of the Regulation adopted by Consob with Resolution No. 11971 of May 14, 1999, as amended and supplemented;*
- *having regard to Articles 2357 and 2357-ter of the Civil Code;*
- *noting that, at today's date, Avio S.p.A. has in portfolio 1,091,207 treasury shares with no voting rights pursuant to Article 2357-ter of the Civil Code, equal to approx. 4.14% of the number of shares comprising the share capital;*
- *having regard to the Directors' Report on this point of the Agenda;*
- *having regard to the Avio S.p.A. financial statements as at and for the year ended December 31, 2023 just approved,*

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 Civil Code, in amounts at the Board of Directors' full discretion, up to a maximum of 5.3% of the 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 Euronext Milan 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 that 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' Regulation, 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 transactions, 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, within the statutory limits:*
- a) *to execute today's resolution and, inter alia, to set aside the reserve 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."*

Rome, March 13, 2024

The Board of Directors