

ELICA S.p.A.

Registered office in Fabriano (AN), Via Ermanno Casoli No. 2

Share capital Euro 12,664,560.00 fully paid-in

Registered at the Ancona Company's Registration Office

Tax and VAT No.: 00096570429

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO
THE SHAREHOLDERS' MEETING
(pursuant to Article 153 of Legislative Decree No. 58/1998
and Article 2429 of the Civil Code)**

Dear Shareholders,

during the year ended 31/12/2016, we performed the supervisory activities required by law, in accordance with the "Conduct principles for the Board of Statutory Auditors" and recommended by the Italian Accounting Profession (Consigli Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

In particular, also in accordance with the instructions issued by Consob, we performed the following:

- we verified compliance with law, the By-Laws and Regulations;
- the Board of Statutory Auditors met 12 times in 2016; we attended 1 Shareholders' Meeting, 8 Board of Directors' meetings, 4 Internal Control & Risk Management Committee meetings and 6 Appointments and Remuneration Committee meetings, which were all carried out in accordance with the legislative, statutory and regulatory provisions which govern their functioning. The motions passed were in compliance with law and the company by-laws and were not imprudent, reckless or such as to compromise the integrity of the company's assets;
- periodically, we received information from the Directors on the general performance and on the outlook, as well as on the most significant operations, in terms of size or nature, carried out by the Company and its subsidiaries.

In relation to such, we can reasonably assure that the actions taken are in conformity with law and the by-laws of the company and were not imprudent, risk related, in potential conflict of interest or contrary to the motions passed, or such as to compromise the integrity of the company assets;

- the following assignments were awarded to the Audit Firm KPMG S.p.A. and its network:

Type of service	Service provider	Company	Fees (Euro thousands)
Audit	Kpmg SpA	Elica SpA	165
Audit	Kpmg SpA	Air Force SpA	8
Audit	Kpmg Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	23
Audit	Kpmg Polska	Elica Group Polska S.p.z.o.o.	18
Audit	Kpmg AG	Exklusiv Hauben Gutmann GmbH	38
Audit	Kpmg China	Zhejiang Elica Putian Electric Co. Ltd	23
Audit	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd	15
Audit	Kpmg Japan	Ariafina CO., LTD	10
Other services	Kpmg SpA	Elica SpA	9
Other services	Kpmg Advisory SpA	Elica SpA	200
Other services	Kpmg Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	5
Other services	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd	4
Other services	Kpmg China	Zhejiang Elica Putian Electric Co. Ltd	2
Total			521

- we constantly monitored the independence of the Independent Audit Firm, noting the absence of any critical aspects;
- we held meetings with the head of the independent audit firm, in accordance with Article 150, paragraph 3 of Legislative Decree 58/1998. During the meetings, no significant information warranting disclosure became evident;
- we have noted the new organisational structure approved and put in place by the Company, with the replacement of the Chief Executive Officer and other key Group personnel, such as the Chief Financial Officer, the Human Resources

Manager, the Vice President Operations and the Chief Information Officer, overseeing its adequacy for the more efficient and effective management of the Company; in relation to this, there are no matters to report;

- we assessed the adequacy of the internal control system, assigned to the Company Protiviti S.r.l., and the administration and accounting system and its reliability to correctly represent operations, through the obtaining of information from managers and the review of company documents;
- we reviewed the adequacy of the instructions given by the Parent Company to its subsidiaries in order that they could provide all necessary information to comply with the obligations required by law;
- we did not note the existence of atypical or unusual transactions with Group companies, related parties or with third parties;
- We highlight the following significant transactions: charges relating to the agreement reached with the departing Chief Executive Officer of Euro 1.7 million; recognition of income taxes of Euro 0.5 million for settlement of the tax audit; charges for the disposal of obsolete inventory for Euro 0.6 million (at consolidated level Euro 1.6 million); recognition of restructuring charges of Euro 0.1 million (at consolidated level for Euro 0.9 million); additional accrual to the legal risks provision of Euro 2.9 million, prudently for the case in progress in Brazil; impairments on investments in the Chinese subsidiary Putian for Euro 3.0 million and the German subsidiary Gutmann for Euro 1.0 million, following impairment tests as per IAS 36;
- in relation to inter-company and related party transactions, these were adequately described in the Notes to the financial statements to which reference should be made. These transactions are appropriate and are in line with the corporate objectives of the Company.

In particular, we indicate:

- the payment of Euro 3.0 million for the share capital increase of the subsidiary Gutmann;
- the share capital reimbursement of Euro 21.1 million by the subsidiary Elicamex;
- the impairment of Euro 3.0 million on Asia CGU (Cash Generating Unit) goodwill, in relation to the performance of the Chinese subsidiary Putian, following an impairment test;

- no petitions were received pursuant to art. 2408 of the Civil Code;
- we issued on 12/02/2016 and 28/10/2016 opinions as per Article 2389, paragraph 3 of the Civil Code, concerning the remuneration of directors with specific roles;
- we issued on 28/10/2016 an opinion on the appointment of the new Director Mr. Antonio Recinella and also on the appointment of Mr. Giampaolo Caselli as Corporate Financial Reporting Manager and *ad interim* Chief Financial Officer;
- the Company complied with the Self-Governance Code of the Committee for the Corporate Governance of listed companies of Borsa Italiana S.p.A.; we considered the code to be complied, which was covered in the Directors' Report on Corporate Governance, to which reference should be made for precise and complete disclosure in this regard;
- we noted the remuneration policies of Executive Directors and Key Management Personnel, both short and long-term, implemented by the company and illustrated in the Remuneration Report as per Article 123-ter of the CFA and 84-quater of the Issuers' Regulation.
- we verified, at the meeting of 12/05/2016, in accordance with point 3.C.5 of the Self-Governance Code, the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members; in our verifications we did not note irregularities;
- during the meeting of 12/04/2016 we evaluated our independence in accordance with point 8.C.1 of the Self-Governance Code of listed Companies;
- we examined the declarations of the Chief Executive Officer and the Executive Responsible for the preparation of the corporate accounting documents, pursuant to Article 154-bis of the Consolidated Finance Act;
- on 15/11/2016 we held a meeting with the Supervisory Board; we reviewed documents and obtained information on the activities already carried out and on those scheduled for 2017.

In relation to the separate financial statements, we confirm that:

- they were prepared in accordance with International Accounting Standards (IAS/IFRS), as presented by the Board of Directors in the notes to the financial statements.

In particular, in the Directors' Report and in the Notes to the financial statements, the Directors have complied with that established by the regulatory provisions

concerning disclosure on the risk management system and the internal control system in relation to the financial disclosure process;

- the notes to the financial statements, in addition to being in compliance with the norms for the preparation of the separate financial statements, also provide all information considered appropriate to represent the balance sheet, financial position and result of the Company;
- the information provided in the Directors' Report is complete and exhaustive, including that relating to subsequent events and the outlook.

The Independent Audit Firm today issued the parent company and consolidated financial statements without any exceptions or matters to be noted.

In the course of the supervisory activity carried out and based on the information obtained, no significant omissions and/or significant matters or irregularities that would require reporting to the Supervisory Authority or mention in the present report were noted.

In conclusion therefore, taking account of that outlined above, we do not indicate, to the extent of our remit, reasons which would prevent approval of the financial statements at 31/12/2016, nor observations regarding the proposal for the coverage of the loss drawn up by the Board of Directors.

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In relation to the Group consolidated financial statements, we have reviewed them and have no further comments to make.

Jesi, 28/03/2017

THE BOARD OF STATUTORY AUDITORS

CASALI GILBERTO	- Chairman
BORIONI FRANCO	- Statutory Auditor
ROMAGNOLI SIMONA	- Statutory Auditor