

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 31/12/2017, 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), the Consob provisions concerning corporate controls and activities of the Board of Statutory Auditors and the indications of the Self-Governance Code.

In particular, also in accordance with the recommendations 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 2017; we attended 1 Shareholders' Meeting, 11 Board of Directors' meetings, 4 Internal Control & Risk Management and Sustainability Committee meetings and 7 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	175
Audit	Kpmg SpA	Air Force SpA	14
Audit	Kpmg Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	21
Audit	Kpmg Polska	Elica Group Polska S.p.z.o.o.	32
Audit	Kpmg China	Zhejiang Elica Putian Electric Co. Ltd	28
Audit	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd	17
Audit	Kpmg Japan	Ariafina CO., LTD	10
Other services	Kpmg SpA	Elica SpA	36
Other services	Kpmg Advisory SpA	Elica SpA	24
Other services	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd	3
Other services	Kpmg China	Zhejiang Elica Putian Electric Co. Ltd	2
Total			362

- 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 issued on 27/06/2017 our opinion on the provision of services other than the legally-required audit by KPMG Advisory S.p.A. to the company, verifying the compatibility of the appointment against the statutorily established limitations;

- we noted the updates to the organisational structure of the company, with the appointment of the new Group Chief Financial Office and other key Group figures, such as the Chief Marketing Officer, overseeing the adequacy of the organisation for a 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 oversaw the financial disclosure process, as per Article 19 of Legs. Decree 39/2010;
- 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 indicate the following significant transactions: disposal of 100% of the German subsidiary Exklusiv – Hauben Gutmann, resulting in the recognition of disposal charges totalling Euro 21.8 million (at consolidated level Euro 3.9 million); the recognition of restructuring charges for Euro 1.8 million (at consolidated level for Euro 2.0 million); the accrual to the risks provision for Euro 0.9 million as a precautionary measure concerning a tax audit initiated by the Tax Agency on 21/11/107 and currently in progress; acquisition of 30% of the Chinese subsidiary Zhejiang Elica Putian Electric Co. Ltd for Euro 1.9 million, increasing the total holding to 97%; the incorporation of the German company Elica GmbH (wholly-owned); the positive impact on the “income taxes” account from the Patent Box tax break for approx. Euro 1.7 million;
- with regards to the impairment tests carried out according to the criteria and assumptions approved by the Board of Directors on 12/02/2018, we indicate that the tests on goodwill did not result in an impairment, while those on investments resulted in an impairment of Euro 2.0 million for the Chinese subsidiary Putian;
- 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 share capital increase of the subsidiary Elica France S.a.s. for Euro 0.95 million;
- the share capital increase of the subsidiary Putian for Euro 2.0 million;
- the share capital increase of the subsidiary Gutmann for Euro 1.5 million (subsequently wholly disposed);
- no petitions were received pursuant to art. 2408 of the Civil Code;
- we issued, on 13/02/2017, 24/03/2017 and 28/04/2017, in accordance with Article 2389, paragraph 3 of the Civil Code, favourable opinions on the remuneration of the Senior Directors;
- we issued on 24/03/2017 a favourable opinion on the appointment of a new Director, as per Article 2386, paragraph 1;
- we issued on 26/06/2017 a favourable opinion on the appointment of Mr. Alessandro Carloni as Corporate financial reporting manager and Group 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 with, 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 24/03/2017, 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 13/03/2017 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;

- the company has adopted an Organisation and Operating Model as per Legislative Decree 231/2001, updated through Board of Directors' motion of 24/03/2017. On 13/11/2017, the Board of Directors in addition mandated a further update due to regulatory changes;
- we held meetings with the Supervisory Board and reviewed their periodic reports on activities carried out and obtained information on activities implemented and scheduled for 2018;
- we note that as per Legislative Decree 254/2016 (transposing Directive EC 2014/95), the company prepared, with regards to financial year 2017, the consolidated non-financial report containing information upon the issues of governance, the environment, employees, social aspects and non-financial risks, approved by the Board of Directors on 15/03/2018; we have no particular observations to report in this regard.

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 KPMG S.p.A. on 26/03/2018:

- issued (according to the new structures applicable following the amendments made to the legally-required audit reform as per Legislative Decree 39/2010 and Regulation (EC) 537/2014) the reports on the statutory and consolidated financial statements, without raising any issues. We in addition note that both the reports expressed an opinion on the consistency of the Directors' Report and of certain

- specific information contained in the corporate governance and ownership structure report with the financial statements, and on their compliance with law;
- furthermore issued the additional report required by Article 11 of Regulation (EC) 537/2014, upon which no significant deficiencies in terms of internal control regarding the financial disclosure process requiring reporting to the heads of “governance” were noted. As an attachment to the additional report, the Independent Audit Firm presented to the Board of Statutory Auditors the statement regarding its independence, as required by Article 6 of Regulation (EC) 537/2014, indicating no situations which may compromise such independence. The Board of Statutory Auditors will present this report at the next of Board of Directors’ meeting;
 - issued, on the basis of the specific appointment conferred by Elica S.p.A., a report as per Legislative Decree 254/2016 and Consob Regulation No. 20267 on the Non-Financial Report of Elica S.p.A. and its subsidiaries regarding the 2017 financial year, approved by the Board of Directors of Elica S.p.A. on 15/03/2018.

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 31/12/2017, as presented, nor observations regarding the proposal for the coverage of the loss drawn up by the Board of Directors.

Dear Shareholders,

at the Shareholders’ Meeting called for 27/04/2018, our mandate and that of the Board of Directors concludes and we therefore invite you to proceed with nominations.

We thank you for the trust accorded to us.

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

Jesi, 29/03/2018

THE BOARD OF STATUTORY AUDITORS

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