

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,

You are reminded that we were appointed by the Shareholders' Meeting of 27/04/2018 and we report that during the year ending 31/12/2018, in continuity with the preceding Board of Statutory Auditors, 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 the regulations;
- the Board of Statutory Auditors met 13 times in 2018; we attended 1 Shareholders' Meeting, 7 Board of Directors' meetings, 4 Control, Risks and Sustainability Committee meetings and 4 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	174
Audit	Kpmg SpA	Air Force SpA	14
Audit	Kpmg Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	24
Audit	Kpmg Polska	Elica Group Polska S.p.z.o.o.	31
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	42
Other services	Kpmg(Registered) India	Elica SpA	7
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			352

- 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 22/06/2018 our opinion on the provision of services other than the legally-required audit by KPMG (Registered) India to the company, verifying the compatibility of the appointment against the statutorily established limitations;
- we have noted the current organisational structure of the Company, overseeing its adequacy for the efficient and lean 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 we reviewed company documents and oversaw the financial disclosure process in accordance with Article 19 of Legislative 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;
- We note the following significant transactions:
 - i) early conversion of the Bond Loan issued by the subsidiary Elica PB India Private Ltd, with the consequent increase in the investment from 51% to 58.45%, also due to the decision of the Indian shareholders not to acquire part of the converted share capital, with a subsequent payment of an amount of Euro 1.3 million;
 - ii) joint venture agreement with Whirlpool of India Limited for the sale of 33% of the share capital of the Indian subsidiary for consideration of approx. Euro 13.2 million; due to the simultaneous sale, Whirlpool India acquired a total 49% of the company. Elica with an investment of 25.50% signed, with the Indian shareholders, a blocking agreement by which it continues to exercise control over Elica PB India and consolidate it in its financial statements;
 - iii) agreement with Whirlpool India for the exclusive distribution of its cooking segment products by Elica PB India;
 - iv) settlement with Exklusiv-Hauben Gutmann Gmbh, in insolvency, with its administrators, and with its sole shareholder Manuel Fernandez Salgado, also on a personal basis, for the agreements of positions concerning the declaration of insolvency and additional mutual claims, giving rise in the year to extraordinary charges for accruals and write-downs of Euro 12.9 million;
 - v) positive impact on the “income taxes” account from the Patent Box tax break for approx. Euro 0.7 million;
- We indicate, in addition that at 18/12/2018, the shareholder agreement concluded concerning the shares of Elica S.p.A., undertaken among the shareholders F.A.N. S.r.l. and Whirlpool EMEA S.p.A.;
- with regards to the impairment tests carried out according to the criteria and assumptions approved by the Board of Directors on 7/03/2019, we indicate that the tests on goodwill did

not result in an impairment, while those on investments resulted in an impairment of Euro 5.0 million for the Chinese subsidiary Zhejiang Elica Putian Electric Co. Ltd;

- 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 Zhejiang Elica Putian Electric Co. Ltd for Euro 7.0 million;
- the share capital increase of the subsidiary Elica Gmbh for Euro 1.0 million;
- no petitions were received pursuant to art. 2408 of the Civil Code;
- the previously Board of Statutory Auditors issued on 15/03/2018 its opinion, confirmed by us on 27/04/2018, as required by Article 2389, paragraph 3 of the Civil Code, for remuneration in favour of the Executive Directors;
- 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, approved by the Board of Directors on 7/03/2019 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, approved by the Board of Directors of 7/03/2019;
- the previous Board of Statutory Auditors verified, at the meeting of 15/03/2018, and by us in the meeting of 27/04/2018, 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;
- the previous Board of Statutory Auditors assessed, at the meeting of 28/02/2018, while our meetings of 27/04/2018 and 18/06/2018 assessed, the independence in accordance with point 8.C.1 of the Self-Governance Code of listed Companies;
- we issued on 27/04/2018 a favourable opinion on the appointment of Mr. Alessandro Carloni as Corporate financial reporting manager in accordance with Article 154 *bis* of the CFA.
- 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 231/2011, updated latterly through Board of Directors' motion of 2/08/2018.
- 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 2019;
- we note that as per Legislative Decree 254/2016 (transposing Directive EC 2014/95), the company prepared, with regards to financial year 2018, 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 7/03/2019; 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 financial statements, also provide all information considered appropriate to represent the balance sheet, financial position and result of the Company; this also with express reference to the above indicated significant transactions;
- 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 18/03/2019 issued:

- the Auditors' Reports on parent company and consolidated financial statements without any exceptions or matters to be noted. 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;
- 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;

- 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 2018 financial year, approved by the Board of Directors of Elica S.p.A. on 7/03/2019.

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 31/12/2018, as presented, nor observations regarding the proposal for the allocation of the profit drawn up by the Board of Directors.

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The Group consolidated financial statements have been reviewed by us and we report no further observations in this regard.

Jesi, 18/03/2019

THE BOARD OF STATUTORY AUDITORS

FREZZOTTI GIOVANNI	- Chairman
BELLI MASSIMILIANO	- Statutory Auditor
NICOLINI MONICA	- Statutory Auditor