

ELICA S.p.A.

Registered office in Fabriano (AN), Via Dante No. 288

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 31/12/2013, 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;
- we met 8 times and we attended 1 Ordinary and Extraordinary Shareholders' Meeting, 9 Board of Directors' meetings, 3 Remuneration and Appointments Committee meetings and 3 Internal Control and Risk Management Committee meetings, which were carried out in accordance with the legislative, statutory and regulatory provisions which govern their functioning. The resolutions 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 most important economic, financial and equity operations carried out in 2013 were as follows:

- a) the subscription on 14/05/2013 of a convertible bond loan of Euro 5,000,000.00, issued by the Indian subsidiary Elica PB India Private Ltd.;
 - b) the approval on 14/05/2013 of a reconversion project of the production area of Serra San Quirico (AN) as a logistical hub, with the consequent gradual transfer of part of the workforce to the nearby Mergo (AN) production site and the gradual resizing of the residual workforce, over a period of approx. 24 months from the fourth quarter of 2013, to ensure the competitiveness of the Italian production structure;
 - c) the sale on 15/07/2013 of 1,700,000 treasury shares, equal to 2.68% of the share capital, to the INVESCO PERPETUAL Investment Fund at a price of Euro 1.134 per share and therefore for consideration of Euro 1,927,800. Following this operation, Elica S.p.A. currently holds 1,275,498 treasury shares, comprising 2.014% of the share capital;
 - d) the approval on 14/11/2013 of a Long-Term Incentive Plan 1/01/2013-31/12/2015, which provides for the payment to the beneficiaries of a bonus calculated according to the Group objectives over a three-year period and based on performance indicators;
- the following assignments were awarded to the Audit Firm and its network and other companies:

Type of service	Service provider	Company	Fees (Euro thousands)
Audit	Deloitte & Touche SpA	Elica SpA	273
Audit	Deloitte & Touche SpA	Air Force SpA	29
Audit	Deloitte & Touche S.p.A.	ELICAMEX S.A. de C.V.	22
Audit	Deloitte & Touche Sp.z.o.o.	Elica Group Polska S.p.z.o.o.	28
Audit	Deloitte & Touche GmbH	Exklusiv Hauben Gutmann GmbH	37
Audit	Deloitte Touche Tohmatsu Limited	Ariafina CO. LTD	23

Type of service	Service provider	Company	Fees (Euro thousands)
Other services	Deloitte & Touche SpA	Elica SpA	5
Other services	Deloitte Doradztwo Podatkowe Sp. Z o.o.	Elica Group Polska S.p.z.o.o.	4
Other services	Deloitte & Touche S.C.	Leonardo Services S.A. de C.V.	6
Other services	Deloitte & Touche S.C.	Elicamex S.A. de C.V.	3
Audit	B S R and Co. (KPMG affiliate)	Elica PB India Private Ltd	11
Audit	Price Waterhouse Coopers	Zhejiang Putian Electric Co. Ltd	35
Total			475

- we constantly monitored the independence of the Independent Audit Company, 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, and with the Board of Statutory Auditors of the subsidiary Air Force S.p.A.. During the meetings no significant information warranting disclosure became evident;
- we reviewed the adequacy of the organisational structure of the company, also through the information received from departmental managers and in relation to this there are no matters to report upon;
- we assessed the adequacy of the internal control system and the administration and accounting system and on its reliability to correctly represent operations, through the obtaining of information from managers and the review of company documents. In particular, we received adequate updates on the projects in progress concerning the Administrative, Industrial and Supply Chain IT system and the Internal Control System which, through the Internal Audit Manager, during the year carried out a number of specific audit actions at the principal overseas subsidiaries;
- we did not note the existence of atypical or unusual transactions with Group companies, related parties or with third parties;

We note the following significant non-recurring events:

- a) the recognition of restructuring charges of Euro 5.3 million, due principally to the workforce restructuring plan, following the reconversion project of the productive area into a logistical hub;
- b) the income from the write-back of the investment in the subsidiary Elicamex S.A. de C.V. of Euro 1.8 million. Following the impairment test carried out on the subsidiary at 31/12/2013, the Company decided to fully write-back the amount written-down in 2009;
- in relation to inter-company and related party transactions of an ordinary nature, 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;
- no petitions were received pursuant to art. 2408 of the Civil Code;
- we issued on 7/03/2013 an opinion in relation to the remuneration of the Executive Chairman, the Chief Executive Officer, the Executive Director, members of the Internal Control and Risks Management Committee, the Appointments and Remuneration Committee, in addition to the Internal Audit Manager, approved by the Board of Directors on 15/03/2013;
- 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;
- the company adhered to the Self-Governance Code of the Corporate Governance Committee for listed companies of the Italian Stock Exchange, as reported in the Board of Directors' supplementary report of 21/03/2014;
- we verified, in the meetings of 24/4/2013 and 21/3/2014 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 meetings of 24/4/2013 and 21/3/2014 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;
- we examined documents and obtained from the Supervisory Board, appointed in accordance with Legislative Decree 231/2001, information on the activities carried

out. We highlight that on 28/08/2013 the Board of Directors approved the updating of the Organisational Model as per Legislative Decree 231/2001.

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. From 2013, with retrospective application to 2012, the Company implemented the amendment to IAS 19, under which it is no longer possible to apply the corridor method to pension liabilities and consequently the actuarial gains and losses are recognised directly to Equity. This required a restatement of the figures at 31/12/2012 for comparative purposes with those of 31/12/2013. The financial statement impacts are described in the notes to the separate 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 impairment test carried out under IAS 36 did not result in any write-down of the goodwill and investments accounts; while, as previously stated, a write-back of Euro 1.8 million of the investment in the subsidiary Elicamex S.A. de C.V., written-down in 2009 following an impairment test, was recognised;
- 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 the principal events after year-end.

Specifically, the Directors dedicated a section to describe the actions planned for 2014 in order to develop the business and strengthen the competitive position.

The Independent Audit Firm reported to us upon 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 and taking into account the above matters, in relation to our responsibility, and not having proposals to present to the Shareholders' Meeting pursuant to Article 153, paragraph 2 of Legislative Decree 58/1998, we have no reason to impede the approval of the financial statements for the year ended December 31, 2013; in relation to the loss we do not report any observations on the proposal to fully cover the loss through utilisation of the Extraordinary Reserve. We do not report any further observations on the proposal for the distribution of an extraordinary dividend in the amount and in the manner set out 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, 31/03/2014

THE BOARD OF STATUTORY AUDITORS

MARIOTTI CORRADO - Chairman

MARASCA STEFANO - Standing Member

CASALI GILBERTO - Standing Member

**LIST OF OFFICES HELD IN OTHER COMPANIES
IN ACCORDANCE WITH ARTICLE 144-QUINQUIESDECIES
OF THE ISSUERS' REGULATIONS**

Name	CORRADO	Surname	MARIOTTI
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	Name of Company	Office held	Duration of office
	Listed:		
1	ELICA SpA	Chairman B.Stat.Auds.	App. FS 31/12/2014
	Banks:		
2	BANCA POPOLARE DI ANCONA SpA	Chairman of BOD	App. FS 31/12/2013
	Of significant size :		
3	NAZARENO GABRIELLI DIARIES SpA	Statutory Auditor	App. FS 31/12/2014
4	SOMACIS SpA	Chairman B.Stat.Auds.	App. FS 31/12/2013
5	SOMIPRESS SpA	Chairman B.Stat.Auds.	App. FS 31/12/2014
6	CARNJ Società Cooperativa Agricola	Statutory Auditor	App. FS 31/12/2015

Jesi, March 31, 2014

Mr. CORRADO MARIOTTI

Chairman of the Board of Statutory Auditors of ELICA S.p.A.

**LIST OF OFFICES HELD IN OTHER COMPANIES
IN ACCORDANCE WITH ARTICLE 144-QUINQUIESDECIES
OF THE ISSUERS' REGULATIONS**

Name	STEFANO	Surname	MARASCA
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	Name of Company	Office held	Duration of office
	Listed:		
1	ELICA SpA	Statutory Auditor	App. FS 31/12/2014
	Non-Listed:		
2	Banca Carilo SpA	Director	App. FS 31/12/2013

Jesi, March 31, 2014

Mr. STEFANO MARASCA

Statutory Auditor of ELICA S.p.A.

**LIST OF OFFICES HELD IN OTHER COMPANIES
IN ACCORDANCE WITH ARTICLE 144-QUINQUIESDECIES
OF THE ISSUERS' REGULATIONS**

Name	GILBERTO	Surname	CASALI
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	Name of Company	Office held	Duration of office
	Listed:		
1	ELICA SpA	Statutory Auditor	App. FS 31/12/2014
	Of significant size :		
2	MAIT SpA	Chairman B.Stat.Auds.	App. FS 31/12/2013
3	GOLDEN LADY COMPANY SpA	Statutory Auditor	App. FS 31/12/2015

Jesi, March 31, 2014

Mr. GILBERTO CASALI

Statutory Auditor of ELICA S.p.A.