



CAREL INDUSTRIES S.P.A.

**BOARD OF DIRECTORS' INFORMATION REPORT
CONCERNING AUTHORISATION FOR THE PURCHASE AND DISPOSAL OF TREASURY
SHARES SUBJECT TO REVOCATION OF THE AUTHORISATION RESOLVED UPON AT
THE SHAREHOLDERS' MEETING OF 7 SEPTEMBER 2018**

Drawn up in accordance with Article 125-ter of Legislative Decree No. 58 of 24 February 1998 (Italian Consolidated Law on Finance, "TUF",) and Article 73 of the Regulation adopted by Consob with resolution No. 11971/99 ("Issuers' Regulation"), as subsequently amended, for the ordinary general Shareholders' Meeting of Carel Industries S.p.A. ("Carel" or the "Company") scheduled, in a single call, for 15 April 2019.

Item No. 4 on the agenda – Proposal to authorise the purchase and disposal of treasury shares upon revocation of the authorisation resolved upon by the shareholders' meeting of 7 September 2018

Dear Shareholders,

You have been called to a shareholders' meeting to resolve upon the issue of authorising the Board of Directors both to purchase and, subsequently, to dispose of the treasury shares, wherever allowed by the legislation in force, including that of the EU, and by the regulations issued by Borsa Italiana S.p.A., for the purposes, on the terms, and according to the methods set out below, subject to revocation of the authorisation resolved upon by the shareholders' meeting of 7 September 2018.

We set out below methods and terms of the proposed transaction, in accordance with the provisions of Article 73 and Annex 3A, Model No. 4, of the Issuers' Regulation.

1. REASONS FOR REQUESTING THE AUTHORISATION

It should be noted that on 7 September 2018 the Shareholders' Meeting of Carel authorised the Board of Directors to purchase, on one or more tranches, bearing in mind the treasury shares from time to time in the Company's portfolio and the shares held by subsidiaries, up to a maximum of 5,000,000 common treasury shares without nominal value for a period of 18 months from date of resolution. Based on said authorisation and in partial execution of the same, on 25 January 2019 the Company launched a programme of purchase of treasury shares, up to a maximum of 100,000 Carel shares, equal to 0.1% of the share capital.

The Board of Directors is of the view, on the other hand, that the reasons that prompted it to request at that time from the Shareholders' Meeting the authorisation to proceed with the purchase and disposal of treasury shares should be still considered valid.

The Board of Directors deems it adequate to propose that the Shareholders' Meeting issue a new authorisation, for a similar 18 months' period, effective from the date of the relevant resolution, subject to revocation of the previous authorising resolution, not yet carried out.

The request for authorisation to the purchase and disposal of treasury shares is based on the possibility to allocate to the Company's Board of Directors the right to purchase and dispose of treasury shares, in compliance with the legislation in force,

including that of the European Union, and with the acceptable market practices from time to time in force, for the following purposes:

- to comply with obligations arising from stock incentive plans approved by the Company and addressed to the members of the Company’s governing bodies and/or employees or those of subsidiaries;
- to carry out transactions in support of market liquidity to thereby facilitate due progress of the trading outside the normal variations associated with the market trend; and
- to undertake sale, exchange, trade-in, contribution transactions or other act of disposal of treasury shares to acquire equity stakes and/or properties and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the expansion goals of the Company and of the Carel Group.

2. MAXIMUM NUMBER, CLASS AND NOMINAL VALUE OF THE SHARES THE AUTHORISATION RELATES TO

As at the date of this report, the Company’s share capital amounts to EUR 10,000,000, fully subscribed and paid up and consisting of 100,000,000 common shares without nominal value.

Given the above, the Board of Directors requests authorisation to purchase treasury shares, on one or more tranches, up to a maximum number which, bearing in mind the treasury shares from time to time in the portfolio of the Company and its subsidiaries, does not altogether exceed 5,000,000 (five million) shares, equal to 5% of the Company’s share capital.

The purchase of treasury shares will take place within the limits of the distributable profits and available resources shown by the last financial statements duly approved at the time of performing each transaction.

The authorisation also includes the right to subsequently dispose (in whole or in part, and more than once as well) of the shares held in portfolio, also before having reached the maximum quantity of shares that may be purchased and, if need be, to repurchase the shares themselves to such an extent that the treasury shares held by the Company or, where applicable, by its subsidiaries, do not exceed the limit set by the authorisation.

3. ADDITIONAL INFORMATION TO ASSESS COMPLIANCE WITH ARTICLE 2357, PARAGRAPH 3 OF THE ITALIAN CIVIL CODE

The Company currently holds 34,835 treasury shares equal to 0.0348% of the share capital.

The authorisation to the purchase complies with the limit stipulated by Article 2357, paragraph 3 of the Italian Civil Code, as it covers a number of shares that may not exceed the fifth part of the share capital.

The extent of the available reserves and the distributable profits, as well as verification of the information helping to assess compliance with the maximum purchasing limit the authorisation relates to, will be checked at the time of performing the transactions.

4. DURATION FOR WHICH THE AUTHORISATION IS REQUESTED

The authorisation to purchase treasury shares is requested for the maximum duration laid down by Article 2357, paragraph 2 of the Italian Civil Code, equal to eighteen months from date of the authorising resolution by the Shareholders' Meeting. Within such timespan, the Board of Directors may proceed with the purchases to the extent and according to the timeframes freely determined in compliance with the relevant legislation, including that of the European Union, and with the acceptable pro-tempore market practices in force.

Given the lack of regulatory restrictions, as well as the need to ensure to the Company maximum flexibility from an operating viewpoint, the authorisation to dispose of the treasury shares is requested without any time limits.

5. MINIMUM AND MAXIMUM CONSIDERATION

The Board of Directors proposes that the purchase price be identified from time to time, having regard to the selected method for performing the transaction and in compliance with the legislative and regulatory provisions, as well as with the acceptable pro-tempore market practices in force. In any event, the purchases shall be made:

- (i) at a price that does not deviate, by excess or defect, by more than 20% from the reference price recorded by the stock at the Stock Exchange session of the day preceding each individual transaction, and in any event

- (ii) for a consideration that does not exceed the higher price between the price of the last independent transaction and the price of the highest current independent acquisition offer present at the trading venue where the purchase is made.

The authorisation to dispose of the shares purchased by virtue of Article 2357 of the Italian Civil Code is requested within the limits of what is permitted by the legislative and regulatory provisions, the acceptable pro-tempore market practices in force, where applicable, and the Regulations issued by Borsa Italiana S.p.A., without any time constraint:

- (i) at a price set from time to time by the Board of Directors in relation to convenience criteria, subject to the fact that such price shall have to maximise the economic effects on the Company if the stock itself is meant to serve (i) transactions in support of market liquidity to thereby facilitate due progress of the trading outside the normal variations associated with the market trend; or (ii) the performance of sale, exchange, trade-in, contribution transactions or other act of disposal of treasury shares to acquire equity stakes and/or real estate and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the expansion goals of the Company and of the Carel Group;
- (ii) at a price not exceeding 20% and not less than 20% of the official stock market prices recorded at the Stock Exchange session preceding the sale transaction as determined by the Board of Directors after taking into account the nature of the transaction and the applicable best practice; alternatively,
- (iii) within the scope of stock incentive plans, according to the terms and methods set out in the regulations governing the plans themselves.

6. PROCEDURES FOR CARRYING OUT THE PURCHASES AND DISPOSING OF TREASURY SHARES

The purchase transactions will be carried out in compliance with Article 2357 ff. of the Italian Civil Code, Article 132 of the TUF, Article 144-*bis* of the Issuers' Regulations, and any other applicable rule, including the rules mentioned in Regulation (EU) No. 596/2014 and Delegated Regulation (EU) No. 2016/1052, as well as with the acceptable pro-tempore market practices in force (wherever applicable) and the Regulations issued by Borsa Italiana S.p.A.

It should be noted that in accordance with Article 132, paragraph 3 of the TUF, the aforementioned operating procedures do not apply to the purchases of treasury shares held by the employees of the Company or its subsidiaries and assigned or subscribed in terms of Articles 2349 and 2441, eighth paragraph of the Italian Civil Code, or stemming from remuneration plans approved in accordance with Article 114-*bis* of the TUF.

The maximum number of treasury shares that can be daily purchased may not exceed 25% of the average daily volume of Carel shares traded on the market.

The disposal and/or utilisation transactions may be carried out in the manner best suited to promote the Company's interests, and in any event in compliance with the legislative and regulatory provisions, as well as with the acceptable pro-tempore market practices in force (wherever applicable) and the Regulations issued by Borsa Italiana S.p.A.

The purchase and sale transactions relating to treasury shares will be disclosed to the market on the terms and according to the methods laid down by the regulatory legislation in force.

7. INFORMATION ON THE INSTRUMENTALITY OF THE PURCHASE TO THE REDUCTION OF THE SHARE CAPITAL

The purchase of treasury shares for which authorisation is requested is not instrumental to the reduction of the share capital.

8. EFFECT OF THE APPROVAL OF THE RESOLUTION AUTHORISING THE PURCHASE OF TREASURY SHARES AS PER THE PROCEDURES LAID DOWN BY ARTICLE 44-*bis* OF THE ISSUERS' REGULATION EXEMPTING FROM THE OBLIGATION OF TAKING OVER BID

We should bear in mind that, generally speaking, the treasury shares held by the Company, indirectly as well, are excluded from the share capital on which we calculate the relevant equity stake for the purposes of Article 106, paragraphs 1, 1-*bis* and 1-*ter*, as applicable, and 3, letter b) of the TUF as regards regulations governing a take-over bid.

Nevertheless, in accordance with Article 44-*bis*, paragraph 2 of the Issuers' Regulation, the aforementioned provision does not apply in the event that exceeding the thresholds set out in Article 106, paragraphs 1, 1-*bis* and 1-*ter*, as applicable, and 3, letter b) of the TUF stems from purchases of treasury shares made, indirectly

as well, by the Company implementing a resolution that, subject to the provisions of Articles 2368 and 2369 of the Italian Civil Code, has been approved also with the favourable vote of the majority of shareholders of the Company attending the shareholders' meeting, other than the shareholders who hold, including jointly, the majority stake, including relative majority, provided that it exceeds 10% ("whitewash").

Accordingly, the Shareholders are informed that, applying Article 44-bis of the Issuers' Regulation, should the same – once called upon to express themselves on the authorisation for the purchase and disposal of treasury shares – approve the relevant proposal by the majorities stipulated by the aforementioned Article 44-bis, paragraph 2 of the Issuers' Regulations, the treasury shares purchased by the Company in execution of such authorising resolution will not be excluded from the share capital (and will thus be calculated as part of it) wherever, by virtue of purchases of treasury shares, the relevant thresholds for the purposes of Article 106 of the TUF are exceeded by a shareholder.

Without prejudice to Article 44-bis of the issuers' Regulation, according to which the treasury shares purchased pursuant to transactions entered into so as to comply with the obligations arising from remuneration plans approved by the Shareholders' Meeting under Article 114-bis of TUF are not excluded from the share capital on which the relevant equity stake for the purposes of Article 106 of the TUF is calculated.

We accordingly invite you, should you agree with the proposal submitted to you as per the above, to adopt the following resolution:

"The ordinary general shareholders' meeting, upon proposal of the Board of Directors, after reviewing the Board of Directors' Information Report, and

having acknowledged

that should the under-mentioned resolution be approved with the favourable vote of the majority of Carel Industries S.p.A. shareholders attending the Shareholders' Meeting, other than the shareholders who hold, including jointly, the majority stake, including relative majority, provided that it exceeds 10 percent (i.e., Luigi Rossi Luciani S.a.p.a. and Luigi Nalini S.a.p.a.), exemption under the combined provisions of Article 106, paragraphs 1, 1-bis and 1-ter, to the extent applicable, and Article 3 of the TUF and Article 44-bis, second paragraph, of the Listing Regulations, shall apply to such shareholders.

resolves

1. *in accordance with Article 2357 of the Italian Civil Code, to revoke, as to the part not yet carried out, the authorisation to purchase and dispose of the treasury shares granted by the ordinary general Shareholders' Meeting of 7 September 2018 effective from date of approval of this resolution;*
2. *to authorise the Board of Directors, in compliance with and as provided by the legal and regulatory provisions from time to time applicable and the regulations issued by Borsa Italiana S.p.A., as well as by the relevant EU provisions:*
 - (a) *to purchase, on one or more tranches, based on the treasury shares from time to time in the Company's portfolio and the shares held by subsidiaries, up to a maximum of 5,000,000 (five million) common treasury shares without nominal value, to fulfil the purposes mentioned in the Board of Directors' report, for a period of 18 months from date of this authorising resolution by the Shareholders Meeting. It is nevertheless understood that the purchase of treasury shares will take place within the limits of the distributable profits and available resources shown in the last financial statements duly approved at the time of performing each transaction.*

The purchase transactions shall be carried out in compliance with Article 2357 ff. of the Italian Civil Code, Article 132 of the TUF (considering the specific exemption set out in the relevant paragraph 3 of the same article), Article 144-bis of the Issuers' Regulation, and any other applicable rule, including the rules mentioned in Regulation (EU) No. 596/2014 and Delegated Regulation (EU) No. 2016/1052, as well as with the acceptable pro-tempore market practices in force (wherever applicable) and the Regulations issued by Borsa Italiana S.p.A., and shall be carried out (i) at a price that does not deviate, by excess or defect, by more than 20% from the reference price recorded by the stock at the Stock Exchange session of the day preceding each individual transaction, and in any event (ii) for a consideration that does not exceed the higher between the price of the last independent transaction and the price of the highest current independent acquisition offer present at the trading venue where the purchase is made;

- (b) *to dispose of the shares within the limits of what is permitted by the legislative and regulatory provisions, the acceptable pro-tempore market practices in force, where applicable, and the Regulations issued by Borsa Italiana S.p.A., without any time constraint:*

- (i) *at a price set from time to time by the Board of Directors in relation to convenience criteria, subject to the fact that such price shall have to maximise the economic effects on the Company if the stock itself is meant to serve (i) transactions in support of market liquidity to thereby facilitate due progress of the trading outside the normal variations associated with the market trend; or (ii) the performance of sale, exchange, trade-in, contribution transactions or other act of disposal of treasury shares to acquire equity stakes and/or properties and/or conclude agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the expansion goals of the Company and of the Carel Group;*
- (ii) *at a price not exceeding 20% and not less than 20% of the official stock market prices recorded at the Stock Exchange session preceding the sale transaction as determined by the Board of Directors after taking into account the nature of the transaction and the applicable best practice; alternatively,*
- (iii) *within the scope of stock incentive plans, in accordance with the terms and methods set out in the regulations governing the plans themselves.*
- (c) *to confer on the Board of Directors- and on its behalf, on the Chairman Luigi Rossi Luciani, the Executive Deputy Chairman Luigi Nalini and the Chief Executive Officer Francesco Nalini, severally and with the right of sub-delegating to other parties - any and all powers, to the fullest extent permitted by law, necessary to implement the treasury share sale transactions resolved upon."*

Brugine, 7 March 2019

The Chairman of the Board of Directors
Luigi Rossi Luciani