INTEK GROUP

ANNUAL FINANCIAL REPORT
2013

(Translation from the Italian original
which remains the definitive version)

Board of Directors
of 28 April 2014

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Fully paid-up share capital Euro 314,225,009.80
Tax Code and Milan Company Register
no. 00931330583
www.itkgroup.it

Contents

Solidarity

Dynamo Camp is a project that continued to follow its objectives and lines of growth in 2013 as well.

In 2013, the seventh year of its operation, the Dynamo Camp figures are shown below: **1,163 children** were given hospitality free of charge during holiday periods within Recreational Therapy programs, which aimed to restore their self confidence; **157 families** were accommodated; **17 programs, 54 illnesses,** mainly related to oncology – haematology, neurology and diabetes; a **reference network consisting of 72 hospitals and 50 illness associations in Italy and abroad; a full time staff of 49 and 54 persons comprising the seasonal staff; 20 doctors and 25 nurses** are present during the Dynamo Camp programs that take place during the year; **620 volunteers** and over 800 volunteer requests coming from Italy as a whole; **2,200 donors, international programs** with children from Germany, Belarus, Greece, Serbia, Lithuania, Iraq, Jordan, Arab Emirates and Morocco.

Among the highlights 2013 we note:

- **the integration among children with different illnesses** and in particular oncological and haematological, motor difficulties, within the same program;
- the attention to the need to feel like **healthy children who are brothers and sisters,** through a section dedicated entirely to them;
- attention paid to the **need for normality focused on the parents and the entire family**, with consolidation of programs for families;
- The implementation of **Dynamo Studios** project with the participation of **8 professional directors -** *Marco Pozzi, Michele Mortara, Gaetano Vaudo, Veronica Mengoli, Luca Lucini, Nello Ferrara, Francesco Fei, Riccardo Paoletti* – who dedicated their time and creativity, on a voluntary basis, to create 20 very emotional short films together with 650 children;
- **Art Factory** with voluntary participation of the artists *Paola Pezzi, Erika Trojer, Nicola di Caprio, Fausto Gilberti, Vanni Cuoghi, Giovanni Ozzola and Velasco Vitali* who created work together with the children, thereby enriching the Dynamo Camp Art Gallery.
- **Radio Dynamo** with outreach programs in numerous hospitals, particularly in the cities of Reggio Emilia, Brescia, Naples, Florence, Monza, Verona, Turin;
- Increased **volunteer training**, with online training programs that are added to the in person training days, in order to ensure they are prepared to manage the psychological requirements of the children and adolescents suffering from serious illnesses.

Fund raising, targeted to individuals, companies, foundations, public entities aiming for medium – long term sustainability, resulted in the emergence of the roles of the individuals and particularly the **ambassadors**, these being persons that support Dynamo Camp by promoting its cause: **142 ambassadors throughout Italy organized 87 events which were visited by approximately 7,000 persons, and 160 cyclists throughout the country took on the cultural challenge of the Dynamo Bike Challenge aimed at increasing donors,** collecting 500 donations totaling over Euro 59,000 for Dynamo Camp.

Regarding acknowledgments, on 23 May 2013, the 161st anniversary of the foundation of the Italian State Police, Dynamo Camp received a plaque from the **Pistoia Police Headquarters** with the quote "**There are no words: our hearts speak for us" Thank you for what you do.** On 24 June 2013, Dynamo Camp received the **Fiorino d'Oro from the city of Florence** from the Mayor Matteo Renzi for, in the words of the latter "paying attention to the last among us" and for being "a place of hope for children who have lost all hope, and of normality for families that have no normality, in a beautiful location dedicated to those who have only experienced ugliness for too long.” On Open Day 2013 Dynamo Camp received a **letter of appreciation and support from the Prime Minister Enrico Letta.**

Company Bodies

Board of Directors (*office ending with the approval of the 2014 financial statements)*

Chairman	VincenzoManes[B]
Deputy Chairman	Diva Moriani[B]
	Mario d'Urso[A,C,D]
	Marcello Gallo
	Giuseppe Lignana[A,C,D]
	James Macdonald
	Ruggero Magnoni [E]
	Alberto Pirelli[A,C]
	Luca Ricciardi[A,D]
	Franco Spalla[A]

A. Independent director
B. Executive director
C. Member of the Remuneration Committee (*Alberto Pirelli, Chairman*) *Alberto Pirelli*
D. Member of the Internal Control and Risks Committee (Mario d'Urso, Chairman)
E. Office ending with the shareholders meeting for approval of the 2013 financial statements

Board of Statutory Auditors (*office ending with the approval of the 2014 financial statements)*

Chairman	Marco Lombardi
Statutory Auditors	Francesca Marchetti
	Alberto Villani
Alternate Auditors	Lorenzo Boni
	Andrea Zonca

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	KPMG SpA
Common Representative of Saving Shareholders	Pietro Greco
Common Representative of the "2012/2017 Intek Group Spa bond holders"	Marco Crispo
Common Representative of the "2012/2017 Intek Group SpA Participatory Debt financial instruments" holders.	Rossano Bortolotti

Please see the Corporate Governance Report and the report on shareholdings for information regarding changes that took place in 2013 in the Board of Directors and supervisory bodies.

2013 Directors' report

Dear Shareholders,

At the end of 2012 the articulated procedure which led to the merger of Intek SpA into KME Group SpA (which on that occasion transformed its own Company name to Intek Group SpA) and the consequent integration of the operations which had previously been carried out by the two holding companies was concluded. This is therefore the first reporting period in which the aforementioned reorganization process began to generate its effects.

The merger of the two holding companies enables operating costs to be contained, linked to the fact that KME Group and Intek were both listed companies, by combining the functions and services which were under the two organisations as well as unifying their location.

In its new configuration, Intek Group SpA ("Intek Group" or "the "Company") positions itself as a holding Company of diversified investments, having the objective of managing portfolio shareholdings and assets, oriented from a dynamic entrepreneurial perspective focused on cash generation and on the growth in the value of investments over time, even through sales functional to the new development strategies.

Intek Group SpA makes investments over a medium to long-term timeframe, combining its business viewpoint with a solid financial structure. It seeks to re-establish a more flexible portfolio with short investment cycles and faster cash flow generation, also through the sale of assets to support the new growth strategies.

In line with this strategic redefinition, it is noted that the overall appreciation of the Intek Group's performance must be made by considering, not only the assessment of the economic results for the period, but also and above all the increase in value over time recorded by the individual assets (as defined previously) and by their potential capacity to create value for shareholders.

This assessment is at the heart of the choices which management has made for a better allocation of financial resources and which will reward only those areas which appear to offer better performance and are more promising, while it will favour the abandonment of industrial and financial sectors which have produced projects which are not in line with the Group's new operating policies in terms of value creation or timeframes.

Maximisation of the value of the assets managed will be achieved by carefully defining business strategies and control of the subsidiaries, identification of agreements and/or partnership opportunities, the valorisation of specific assets and the management of extraordinary operations for subsidiaries. The agreements reached in 2013 and finalized in the initial months of 2014 in China and Great Britain are aimed in this direction.

The first agreement was reached with Golden Dragon Precise Copper Tube Group Inc., a leading Chinese operator in the copper sector, for the realisation of a joint venture aimed at producing laminates for connectors in the connectors segment, which are particular types of laminates made of copper-alloys used for connecting electric cables. This agreement calls for the contribution in the business combination, on the part of Intek Group, of a German plant and its know-how in the sector and, on the part of the Chinese entrepreneur, of the financial resources necessary to cover the capital expenditures relative to the construction of a new production facility in the Henan Province. The objective of the joint venture is to become the major global operator in the segment and the only global player to have production operations in China, with the ability to directly supply the major world markets.

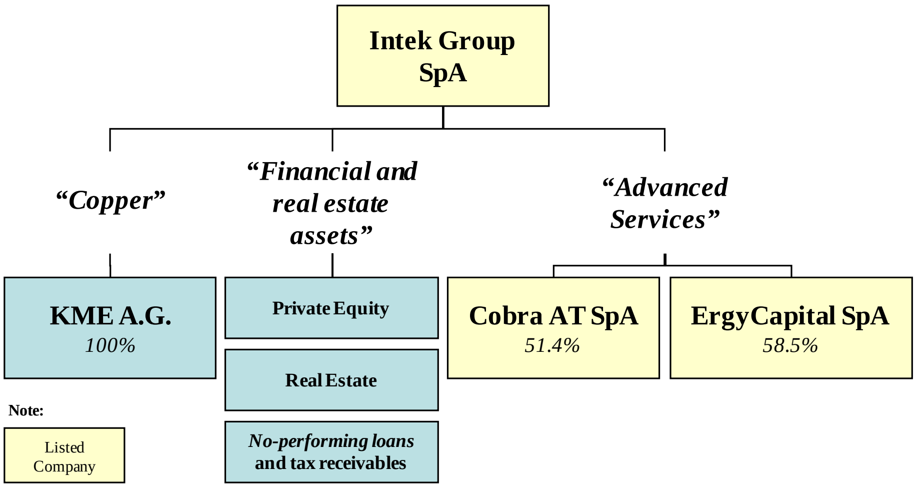
The transaction will result in Group recognizing, in the first quarter of 2014, through recognition of the 50% investment in KMD (HK) Holding Limited, at a gross capital gain of Euro 50 million; approximately one half of this capital gain will remain in suspension against future performance guarantees granted by the German facility to Golden Dragon.

The second agreement, concluded in October 2013, refers to the sale of the copper sanitary tubing operations which take place in the Kirkby (Liverpool) establishment owned by KME Yorkshire Ltd to Mueller Europe Limited, a subsidiary of Mueller Industries Inc. (USA). The transaction was executed on 28 February 2014, following the positive outcome of the antitrust procedure. The sale price of GBP 18 million (equal to approximately Euro 22 million), has resulted in a gross capital gain of GBP 15 million (approximately Euro 18 million) for the group and a total financial benefit equal to approximately Euro 33 million. Though essentially concluded in 2013, the transaction's economic and financial effects will be felt in the 2014 financial statements, following the interpretation of certain contractual clauses pursuant to IFRS guidelines.

More information on the aforementioned transactions will be provided later in this report.

Following is a summary description of the Intek Group corporate structure, with an indication of the main sectors in which the Company invests, as changed following the merger of Intek SpA into KME Group SpA, which led to the concentration of the two companies and their businesses under a single holding – parent.

Summary of the Group's corporate structure at 31 December 2013



The percentages indicated above include also Cobra AT's and ErgyCapital's shares classified as current financial assets.

The **investment sectors** of INTEK Group SpA are:

- the traditional "**copper**," sector which includes production and marketing of the semi-finished goods in copper and copper-alloys, which is handled by the German subsidiary KME AG and which remains the Group's core industrial business;
- The "**advanced services**" sector, which includes the investment in the services integrated in the field of associated risk management referring to the ownership, possession and usage of the vehicles under Cobra A.T. SpA, a Company with registered offices in Varese which is listed on the Borsa Italiana electronic equity market (MTA) and the investment in energy saving under ErgyCapital SpA, an investment Company with registered offices in Rome also listed on the MTA;
- The "**financial and real estate assets**" sector, which includes the private equity activity which is carried out mainly through the close-end investment fund I2 Capital Partners and the management of receivables and real estate.

In the "**copper**" sector, the difficult macroeconomic environment continues to be ongoing and has led the operating units of this sector to follow two related guidelines. The first aims to strengthen the operating efficiency and the organizational flexibility required in order to more decisively continue along the path of improving the results as soon as a more favourable environment is formed in the various reference markets. The second, which is becoming increasingly more significant, aims to rationalise and enhance the operations in order to increase the application of the resources to products with a higher added value and markets with higher growth rates where customers who have delocalized their assets show an interest in finding a reliable supplier with European standards and quality.

This strategic approach leads us to eliminate non-core operations, which are too small or not competitive enough, and to decrease complexity by containing the dimensions and promoting cash generation, identifying solutions, also through agreements or partnerships, for the development of those sectors which are currently not able to achieve an acceptable return for the resources used.

In the “services” sector, through the investment in Cobra AT SpA (hereinafter "Cobra"), the Intek Group expanded its business through one of the main operators at European level, which can provide integrated services for the management of the risks associated with the possession, ownership and use of vehicles through the use of IT and satellite technology.

Cobra is engaged in a radical reorganization and restructuring of its activities, which started in past years. This process is intended to develop the activity concerning data communication services and security services. Regarding the data communication services, in 2013 the collaboration continued with the insurance sector, in particular all the companies belonging to the Generali group, with which a significant framework agreement was signed in June 2013. The collaboration with Porsche AG continues in the automotive sector and is expected to develop significantly over the next few years.

All the operating profit of Cobra for 2013 have significantly improved compared to the previous year.

It is hereby indicated during 2013, two non-binding offers were received for the purchase of the investment in Cobra held by KME Partecipazioni (a sub-holding Company which is 100% controlled by Intek Group) and a press release was published in December 2013 to this effect. Both offers, submitted by a foreign institutional investor and a natural person, were declined by the Group as they were considered not to be in line with the actual value of the investee.

On 17 April 2014, agreements were concluded with credit institutions that had participated in the extension of the moratorium and the standstill period; more information will be given in the remainder of this report to this effect.

In the “**energy from renewable sources**” sector, ErgyCapital SpA intends to focus its operations on cash generation from the plants in operation and careful management of liquidity. Over the last few years ErgyCapital has redefined the mission of the group, resized its operations through the closure of operating facilities, and staff reduction thereby achieving a significant reduction in operating costs. ErgyCapital intends to continue its research and valuation of non-recurring transactions both for the Company overall as well as for the individual business units, aimed at creating value for the shareholders.

As for the sector of “**financial and real estate assets**”, for real estate investments, tax assets, non-performing loans and those deriving from bankruptcy proceedings, sale/collection programs continued.

For the “private equity” investments the future programs are focused on maximizing the interests of the close-end real estate fund, which is restricted to qualified investors and managed by I2 Capital Partners SGR. The fund ended its investment period at the end of July 2012. In the first quarter of 2013, the investments in Franco Vago SpA, a significant operator in the transport and logistics area for the fashion and luxury markets, were sold. This sale enabled the realisation of a significant return on the investment.

The parent Intek Group SpA

Upon completion of the merger of Intek into Intek Group, effective from December 2012, the Company became a diversified holding Company, the objective of which is the dynamic management of the investees. This led the separate financial statements of the parent to more effectively represent the financial position, results of operations and actual performance of the new entity.

It is hereby noted that the Company took the option of extending the time period allowed by article 2364, second paragraph of the Italian civil code for approval of the financial statements at 31 December 2013 in order to allow the subsidiaries, which are committed to a series of non-recurring transactions as part of the new valuation strategies pursued for their individual businesses, to complete preparation of the relative financial statements and to make it possible to compile the consolidated statements.

At 31 December 2013 the carrying amount of the Company totaled Euro 513 million, with net financial debt of Euro 77 million, including Euro 59 million of debt securities issued during the public exchange offers.

The main equity data of the Intek Group can be summarised as follows:

Condensed separate statement of financial position

(thousands of Euro)	*31 Dec. 2013*		*31 Dec. 2012*	
Copper	**381,770**	**74.45%**	**381,651**	**73.41%**
Financial and real estate assets				
Private Equity	*11,940*		*19,655*	
Non operating assets	*19,943*		*24,302*	
Real Estate/Other	*24,659*		*27,947*	
Total financial and real estate assets	**56,542**	**11.03%**	**71,904**	**13.83%**
Advanced services	**73,133**	**14.26%**	**62,073**	**11.94%**
Other non-current assets/liabilities	**1,330**	**0.26%**	**4,271**	**0.82%**
Carrying amount of investments	**512,775**	**100.00%**	**519,899**	**100.00%**
Reclassified net financial debt (net of issued financial instruments and interests)	*(17,074)*		*(24,853)*	
Participatory Debt financial instruments Intek Group SpA 8% 2012 – 2017	*(48,469)*		*(48,072)*	
Intek Group SpA Bonds 8% 2012 -2017	*(11,098)*		*(10,966)*	
Reclassified net financial debt	**(76,641)**	**-14.95%**	**(83,891)**	**-16.14%**
Total equity	**436,134**	**85.05%**	**436,008**	**83.86%**

The **equity** at 31 December 2013 has remained unchanged from the end of 2012. Equity per share is equal to Euro 1.1.

The **Share Capital** at 31 December 2013 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares and 50,109,818 savings shares. The shares do not indicate the nominal amount.

As 31 December 2013 the Intek Group held 6,230,691 ordinary treasury shares and 978,543 savings treasury shares for an overall amount of Euro 2.5 million. The subsidiary KME Partecipazioni SpA held 2,512,024 Intek Group's savings shares, for an overall amount of Euro 1.0 million.

The reclassified net financial debt of the Parent at 31 December 2013 was as follows:

Reclassified net financial debt			
(thousands of Euro)		*31 Dec. 2013*	*31 Dec. 2012*
Cash and cash equivalents		(930)	(10,576)
Other financial assets		-	(439)
Current loan assets from subsidiaries		(14,770)	(38,454)
Current receivables for financial guarantees due from subsidiaries		(4,356)	(5,152)
(A) Net financial assets	**(A)**	**(20,056)**	**(54,621)**
Current loans and borrowings		26,295	50,720
Loans and borrowings due to subsidiaries		13,931	15,021
(B) Current financial liabilities	**(B)**	**40,226**	**65,741**
(C) Current net financial debt	**(A)**	**20,170**	**11,120**
Long-term loans and borrowings		47	57,770
Intek Group 2012 – 2017 participatory debt financial instruments		46,869	46,472
Intek Group 2012-2017 bonds		10,726	10,594
(D) Non-current financial liabilities		**57,642**	**114,836**
(E) Net financial debt *1*	**(C)**	**77,812**	**125,956**
Non-current receivables for financial guarantees from subsidiaries		(47)	(3,084)
Non-current loan assets - subsidiaries		(452)	(34,585)
Non-current loan assets - banks		(672)	(4,396)
(F) Non-current financial receivables		**(1,171)**	**(42,065)**
(G) Reclassified net financial debt	**(E) + (F)**	**76,641**	**83,891**

1. *Definition pursuant to CONSOB communication DEM 6064293 of 28 July 2006 in application of the CESR recommendations of 10 February 2005.*

The improvement of the net financial debt is mainly due to the transfer to subsidiaries of certain financial liabilities against the transfer of assets.

As from November 2012, coinciding with the operation which led KME Group SpA to merge the activities of Intek SpA, as well as to change the Company name into Intek Group SpA, negotiations were undertaken and agreements were made with all the lending banks in order to contractually establish the German industrial holding KME AG as the parent in place of Intek Group SpA (the latter has kept only its role as guarantor).

Also the agreement signed with GE Commercial Finance for without recourse factoring operations up to a Euro 600 million ceiling, which was renewed in 2011 and expires in June 2014 (and renewed in the first few months of 2014 until July 2016), was transferred to the German industrial holding KME AG; Intek Group SpA has kept only its role as guarantor.

The same thing happened in the first few months of the current year for the loan taken out with Unicredit Mediocredito Centrale (UMCC) for the residual amount of Euro 45.7 million. Loans to industrial companies belonging to the Group which are connected to the usage of credit lines granted to the parent were also transferred, in addition to the UMCC loan. Intek Group, in this case too, remained solely as guarantor of the loan. This transaction follows the transfer to KME A.G. of all investments within the copper sector. The entire transaction (transfer of financial liabilities and assets and investments) had essentially zero effects on the net balance.

As for bank debt, note should be taken that the covenants envisaged by the various loan agreements were respected, both by Intek Group and by its subsidiaries.

Cash flows for the years 2013 and 2012 are summarised as follows:

Statement of cash flows – indirect method			
(thousands of Euro)		*2013*	*2012*
(A) Cash and cash equivalents at the beginning of the year		**10,576**	**6,605**
Loss before taxes		(197)	(17,532)
Amortisation and depreciation of property, plant and eqipment and intangible assets		97	25
Impairment losses (reversal of impairment losses) on current and non-current loan assets		(5,365)	18,380
Changes in provisions for pensions, post-employment benefits and stock options		350	305
Changes in provisions for risks and charges		(1,872)	-
Decrease in current receivables		5,405	1,164
Increase in current payables		865	710
Taxes paid during year		382	597
(B) Total Cash flows from/(used in) operating activities		**(335)**	**3,649**
Increase in non-current intangible assets and property, plant and equipment		(55)	(1)
Decrease in non-current intangible assets and property, plant and equipment		1,300	-
(increase) decrease in investments		(22)	4,621
Increase/decrease in other non-current assets/liabilities		6,358	(2,298)
(C) Cash flows from investing activities		**7,581**	**2,322**
Changes in equity		-	(47,007)
(Purchase) sale of treasury shares		-	(2,543)
Increase (decrease) in current and non-current loans and borrowings		(82,709)	9,121
(increase) decrease in current and non-current financial loan assets		65,817	21,743
(D) Cash flows used financing activities		**(16,892)**	**(18,686)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(9,646)**	**(12,715)**
(F) Cash and cash equivalents contributed by the merged Company		**-**	**16,686**
(G) Cash and cash equivalents at the end of the year	**(A) + (E) + (F)**	**930**	**10,576**

The **income statement** below has been reclassified, with indication of the non recurring income and expenses, including also the valuation effects on the investments.

Reclassified Income Statement		
(thousands of Euro)	*2013*	*2012*
Service income	203	2,609
Net operating costs	(3,942)	(4,591)
Stock option costs	(324)	(421)
Net financial income /(charges)	(1,085)	4,424
Profit (loss) from ordinary activities	**(5,148)**	**2,021**
Non-recurring income (expenses)	4,951	(19,553)
Loss before taxes	**(197)**	**(17,532)**
Taxes for the year	39	(850)
Loss for the year	**(158)**	**(18,382)**

The **profit from ordinary activities** of the holding Company has closed essentially at zero despite the negative effect compared to last year of the higher financial expenses connected to the outstanding securities, as it benefited from the write-back made for KME Partecipazioni, due to the higher value of its participation in Cobra. Following are the benefits on operating cost deriving from the merger.

Regarding the **business outlook**, this year as well the fees for commissions on financial guarantees granted to subsidiaries will expire and it is considered that disinvestments of former Intek operations will take place. As regards performance of the individual equity investments of the Group, please refer to the provisions of the following sections on performance in the sectors that the Group is involved in.

Performance in the various investment sectors

<u>Copper sector</u>

The “copper” sector includes the production and marketing of copper and copper-alloy semi-finished products by German subsidiary **KME AG**, and continues to be the Intek Group’s core business.

The performance of demand for semi-finished products in copper and copper-alloys on the reference market continues to be affected by economic activity with still modest growth rates, even though in recent months signs of acceleration in advanced economies, especially the United States and Japan, have become evident.

In the emerging countries, economic activity has differed from country to country: it slowed down in India and Brazil, but continues to recover in Russia while in China the indicators seem to confirm that it will hold up well.

Regarding Europe, while in the United Kingdom growth is led by internal demand and remains vigorous, in the Euro area the recovery is at lower levels with dissimilar prospects among the major economies: the performance is modest in France and Italy, in contrast with the progress in Germany. Demand is still largely led by exports while the internal component remains very weak.

This difficult macroeconomic environment, which aggravated the structural over-capacity of certain segments, thereby increasing pressure from competition, leads the operating units of the “copper ” sector, to on the one hand reinforce the operating efficiency and organizational flexibility which are required to more decisively continue along the path of improving the results as soon as a more favourable environment takes over in the reference markets and, on the other hand, to rationalise and enhanceme the activity with the objective of applying more resources to products with a higher added value and markets that are growing more rapidly.

This strategic approach leads us to eliminate the non-core operations, which are too small or not competitive, and to decrease complexity by containing the dimensions and promoting cash generation, identifying solutions, also through agreements or *partnership*s, for the development of those sectors which are currently not able to achieve an acceptable yield for the resources used.

This is the direction the agreements recently concluded in China and Great Britain are taking.

The first agreement between KME A.G. and the Chinese Company Golden Dragon Precise Copper Tube Group Inc., which was concluded on 18 March 2014 after the necessary authorisations were secured, aims to construct a production plant for laminated product for connectors in the province of Henan.

The connectors are devices which are made with specific types of copper-alloy laminates used for connection of electric cables, which are mostly used in the electronics and automotive sectors. The significant growth of the sectors in the Chinese market lead KME, already a leading operator in the European and U.S. markets, to search for a Chinese partner able to support it in realising a production facility in China and penetrating the significant internal market.

The choice of Golden Dragon, a leading Chinese operator in the copper sector, with an international footprint and an interest in diversifying its production, led the two parties to work together on the project for over two years.

The agreement which was concluded provides for a contribution by the KME Group: a) of the German facility in Stolberg, which was historically dedicated to this type of production, b) equipment from production facilities which are no longer used, and c) that know how of the Group in this segment. Golden Dragon will contribute all the financial resources required to cover the investments for the construction of the new production facility in China, assessed at approximately USD 99 million.

Due to the agreement, the two partners participate equally in the capital of the holding Company KMD (HK) Holding Limited, which is based in Hong Kong and controls 100% of the German Company (KME Stolberg Gmbh, which owns the facility in Stolberg) and the Chinese Company

(KMD Precise Copper Strip Co. Ltd., which owns the new facility). The objective of the *joint venture* is to become the major global operator in the segment and the only global *player* to have production operations in China, with the ability to directly supply the major world markets.

As the project phase has been completed, the parties intend to immediately begin work on construction of the facility located in Xinxiang City, adjacent to the Golden Dragon production facilities, and aim to deploy the complete protection process by the beginning of 2015. Meanwhile, a finishing line will be installed in the Xinxiang facility that will be supplied with semi-finished goods from the German facility in Stolberg so that it can begin serving the Chinese market directly.

The transaction will result in KME Group hosting, through recognition of its 50% investment in KMD (HK) Holding Limited, and gross capital gain of Euro 50 million; approximately one half of this capital gain will be suspended in terms of accounting given the future performance guarantees that Stolberg has given to Golden Dragon.

The second agreement, concluded on 18 October 2013 and formally executed on 28 February of this year, refers to the sale of the copper sanitary tubing operations which take place in the Kirkby (Liverpool) establishment which belongs to KME Yorkshire Ltd to Mueller Europe Limited, a subsidiary of Mueller Industries Inc. (USA). The transaction which is recognized on the books from 2014, had a value of GBP 18 million (approximately Euro 22 million) and secured for the Group a gross capital gain of GBP 25 million (equal to approximately Euro 17 million) and an overall financial benefit of approximately Euro 33 million.

The KME Yorkshire Ltd (a subsidiary of the sub-holding Company KME AG) operations relative to the sanitary tubing had sales in 2012 of GBP 119 million (approximately Euro 141 million) and employs approximately 175 persons. KME Yorkshire Ltd will retain the commercial operations on the British market relative to other businesses of the KME Group (laminates, bars and industrial tubing), the real estate which belong to other companies and the existing pension fund.

With regard to the performance of the market in the year just ended, the demand for **semi-processed goods in copper and copper-alloys for building** continues to be characterised by the fundamental weakness which was evident throughout 2012. The volumes of laminate sales have contracted by approximately 10% compared to the levels of the previous year, due also to the weather conditions which were particularly negative in North Europe and the first quarter; this performance canceled out the positive effect from the increase in added value obtained through a focused pricing policy as well as a strong promotion of innovative solutions in the residential and home decoration field.

The volumes of the tubing for construction was also decreased, though the policy which was implemented was able to support the price level.

The evolution in the demand for **semi-finished copper and copper-alloy products serving the industrial sector** has shown some signs of being more stable, though not generalised, both for industrial laminates and industrial pipes. The Group continues to offer an extensive and diversified product portfolio with a high level of quality and service, maintaining a continuous open dialog with users, aimed at providing them the most appropriate solutions for each specific need.

As regards the special product sales, the weak levels of the second half of 2012 have been confirmed, reflecting the upkeep in economic activities in the emerging countries during recent months.

As regards the sector's overall economic performance, the industrial and commercial measures taken are starting to show their positive effects; although the markets are unfavourable, the profitability of 2013 improved compared with 2012, despite a 5.7% drop in revenue.

Key consolidated results of the copper sector

(millions of Euro)	*31.12.2013*	*31.12.2012(*)*
Revenue	**2,335.1**	**2.,571.5**
Revenue (not including raw materials)	**669.2**	**709.8**
EBITDA (gross operating profit)	**62.8**	**44.4**
EBIT (operating profit)	**20.1**	**0.4**
Profit (loss) before non-recurring items	**3,1**	**(24,4)**
Non-recurring income/expenxes	***(10.1)***	***(50.0)***
Effect of IFRS measurement of inventories	***(13.4)***	***10.3***
Consolidated loss	**(17.0)**	**(63.4)**
Net Financial Debt	**264.0 (31.12.2013)**	**242.2 (31.12.2012)**
Equity (*)	**132.4 (31.12.2013)**	**149.5 (31.12.2012)**

(*) Equity at 31 December 2012 was restated with respect to that presented previously as a consequence of the application of IAS 19 that, abolishing the so-called "corridor", provided for all the actuarial differences related to pension funds to be accounted for in equity. Equity does not include Euro 109.8 million of goodwill attributed to the copper sector within the consolidated financial statements of Intek Group.

The **Consolidated Revenue** in 2013 amounted to a total of Euro 2,335.1 million, down by 9.2 % compared to 2012, when it was Euro 2,571.5 million. This decrease was influenced by decreased sales volumes (-3.5%) and the lower average prices for raw materials. Net of the latter, the revenues decreased 5.7% from Euro 709.8 million to Euro 669.2 million; this decrease was due to the decreased operations as well as the lower availability of scrap on the market which resulted in the profit margins being contained, mostly in the second part of the year.

EBITDA (gross operating profit) in 2013 was Euro 62.8 million; it was, therefore, higher than in 2012 when EBITDA was Euro 44.4 million (+41.4 %). The cost of labor dropped by 6.5% and other operating costs by 11%, therefore more than the decrease in the sales volumes, confirming the positive effect of the efficiency and flexibility measures are adopted to counter the reduction in production, thanks also to the agreements reached with the trade unions which made it possible, among other things, to forestall employment terminations by using redundacy programs and fine tuning performance bonuses. The operating profit/revenue ratio for 2013 net of raw material costs increased from 6.3% to 9.4%.

EBIT (operating profit) stood at Euro 20.1 million (Euro 0.4 million in 2012).

The **Profit before non-recurring items** was Euro 3.1 million (loss of Euro 24.4 million in 2012).

The **consolidated loss** in the copper sector was Euro 17.0 million (loss of Euro 63.4 million in 2012). The effects of the measurement of raw material inventories conducted in accordance with IFRS were a negative Euro 13.4 million; at 31 December 2012, they had been a positive for Euro 10.3 million. The decreased weight of non-recurring costs is recorded.

The **Net Financial Debt** at 31 December 2013 was Euro 264.0 million, improving with respect to the end of December 2012 when it was Euro 242.2 million.

At the end of 2013, the Group began negotiations for the renewal of the respective expiring contracts with the banking syndicate, GE Commercial Finance and Mediofactoring, to July 2016. To date, all the banks have confirmed their willingness to renew without substantial changes to the credit lines in existence and the respective credit authorisation processs are in an advanced phase. The directors reasonably expect that under the current situation, there are no reasons to believe that approval by the banking syndicate and Mediofactoring should not be granted by mid May 2014. On the other hand, official approval for the renewal has been received for the GE Commercial Finance contract.

Regarding the business outlook, signs of improvement in profitability which became evident in 2013 following the rationalisation of the production procedures and the containment of the costs, which were achieved within an environment in which demand continued to be very weak, make it possible to formulate positive forecasts on the economic performance of the Intek Group copper segment for the year underway, which will furthermore reap a benefit from the two extraordinary transactions already mentioned. This is also in consideration of the rationalisation measures adopted and on the basis of the expectation of a more favourable market performance, and recovery of the availability of scrap, the lack of which in the second half of 2013 resulted in reduced profit.

In 2013 the overall **investments** of the segment’s production units totaled Euro 29.9 million (Euro 34.0 million in 2012).

Investments continue to be selectively targeted at rationalising the Group’s production and distribution with the aims of: maximising utilisation of plant to enable an increase in productivity both within the individual units and across the various production units; minimising the ratio of raw materials in and finished products out (the metal yield) in the production stage; and optimising the use of raw materials by using increasing quantities of scrap raw material while safeguarding the quality of the finished product; the object being energy savings.

Particular attention is always paid to initiatives on safety and environment.

As for research and innovation, the programs are coordinated at Group level and implemented in the two KME research centres in Osnabruck and Fornaci di Barga.

Each research centre has its own specific skills, but ongoing synergies involving researchers, customer needs, universities and the Group’s facilities make it possible to guarantee the development of integrated joint projects.

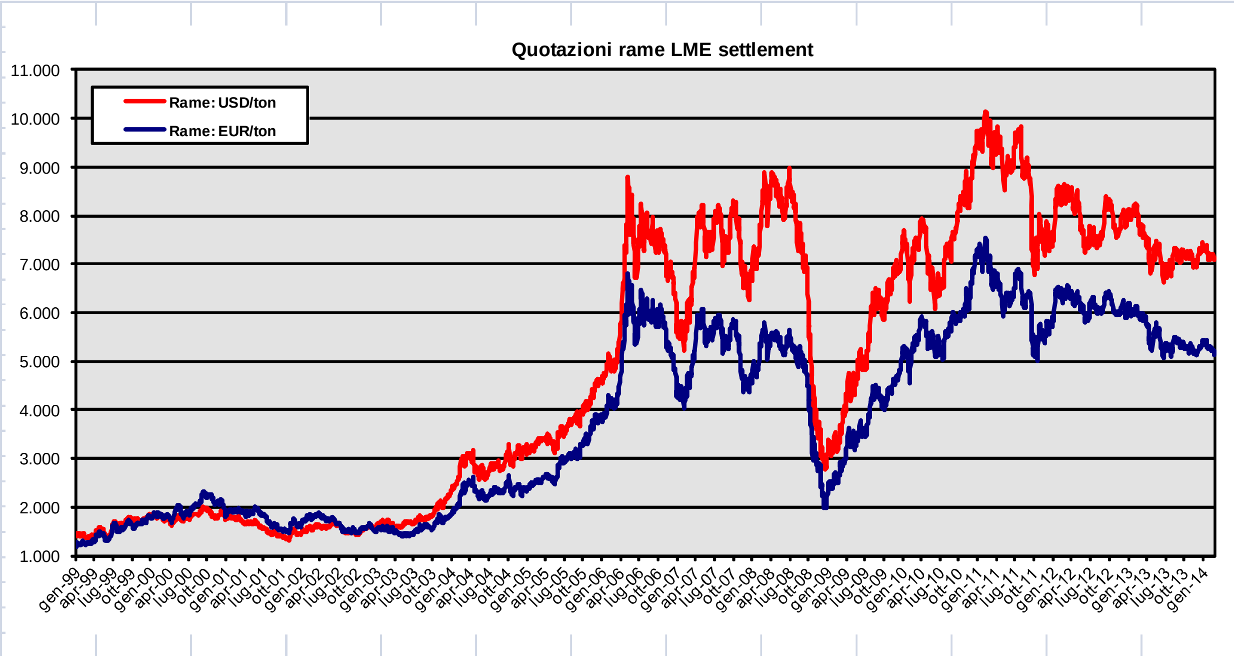
The main research areas regard alloys and microstructures, surface treatments, heat exchange, health and the environment, the melting and casting of metals, processing cycles and tests on materials.

The copper sector’s **workforce** at 31 December 2013 numbered 5,834 (5,974 at the end of 2012).

The **price of copper**, which is the metal most widely used in the production of the Group semi-finished products, decreased by an average of 7.9% in USD in 2013 compared to the previous year (decreasing from USD 7,950/ton to USD 7,322/ton) and by 10.8% in Euros (from Euro 6,183 to Euro 5,515). In terms of trend, the average prices of copper in forth quarter 2013 recorded an increase, with respect to those of the third quarter, equal to 1.1% in USD (from USD 7,073/ton to USD 7,153/ton), and a reduction of 1.6% in Euro (from Euro 5,342 to Euro 5,256).

The average price of copper was USD 6,668/ton in March 2014, corresponding to Euro 5,142/ton.

LME Settlement copper price



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Sector of financial and real estate assets

The assets which in the past were carried out by Intek SpA and its subsidiaries in the private equity sector are included in this sector of operations, including through a closed-end mutual fund which is restricted to I2 Capital Partners, and which operates in the special situations sector, which is organized and managed by I2 Capital Partners SGR and in the real estate sector through several investees.

The Intek Group carries on with the creation of value from these assets and from the investments in operations in the special situations sector where it has developed significant experience in bankruptcy proceedings, especially compositions with creditors after bankruptcy.

Following is the business performance in 2013 for the sector in the various business segments.

Private Equity

I2 Capital Partners fund

At the end of July 2012 the investment period ended for the I2 Capital Partners fund (the "Fund"), and so it was decided not to ask investors to extend this period and therefore the future activities of the fund will seek to dispose the assets held in the portfolio.

In consideration of the decreased activity in the fund, I2 Capital Partners SGR began a reorganization program which provides for a reduction of structural costs so as to ensure profitability for the Company, even given the lower fee income.

From the beginning of its operations and up to 31 December 2013, I2 Capital Partners fund draw down of Euro 120.2 million of which Euro 5.6 million during the current year, to be used for execution of investments and coverage of management fees.

At 31 December 2013 investments had been made for a total of Euro 94.2 million, including disposals. On the same date outstanding investments totaled Euro 26.5 million, almost entirely relating to equity investments. Up until now, the Fund reimbursed the subscribers a total of Euro 72.8 million.

The fund's investments at 31 December 2013 related to:

- Gruppo Selecta Srl;
- Nuovi Investimenti SIM SpA;
- Alitalia – Compagnia Aerea Italiana SpA;
- Isno 3 Srl –Festival Crociere Procedure;
- Isno 4 Srl –OP Computers Procedure;
- Benten Srl – Procedura Mediafiction (Cecchi Gori Group);
- Purchase of non-performing receivables (Safim Factor SpA in administrative compulsory liquidation).

As already mentioned in the financial statements at 31 December 2012, during the first quarter of 2013 the Fund transferred the equity investment held in Franco Vago SpA, active in the transportation and logistics sector for fashion and luxury goods, to a large Japanese multinational Company. The transfer, which took place at a price of Euro 43.6 million, gross of selling costs, generated a capital gain of Euro 23.6 million, before taxes, for the Fund. Part of the price, amounting to Euro 5.0 million, was made up of escrow against the contractual guarantees given. 50% of these amounts is supposed to be released within the month of June 2014 and the remaining 50% at the end of the second year from the transfer date. This disposal allowed the Fund to execute an allotment over the first quarter of 2013 that lead to the collection of approximately Euro 7.0 million for the Intek Group.

With regard to the investment in the **Festival Crociere Procedure**, which took place through Isno 3 Srl, in relation to the major ongoing dispute involving a significant French banking group and other defendants, the appeal for the invalidation of the ruling issued by the Court of Genoa in December 2012, which only partially accepted the requests of Isno 3, sentencing a Calyon subsidiary to pay Euro 6.8 million, plus interest. The court set the next hearing for July 2017.

Insofar as the lawsuit against Auxiliaire Maritime (which is fully controlled by the Alstom Group), the value of which totals Euro 12 million, we expect the ruling of the Genoa Court of Appeals within the first half of this year.

The legal operations for revocation of other minor lawsuits are still underway.

Insofar as Isno 4 Srl, a Company that operates as the official assignee of the Ivrea based Company **OP Computers SpA**, the expectations are connected to the outcome of a dispute with the tax authorities regarding a significant amount. After the initial two court rulings which were in favour and the ruling with which the Court of Cassation had remanded the ruling to the Regional Tax Commission, in the initial months of the current year, the latter issued a ruling that partially acknowledges the requests of Isno 4, which is now assessing the next steps to take.

With regard to the investment in **Alitalia SpA,** following the subscription of the convertible bond issued in February 2013 and the capital increase subscribed in the same year, the fund holds, directly and indirectly, through the I2 Capital Portfolio, 0.9% of the airline.

In July 2013, in an overturning of its previous strategy, the management of Alitalia had approved the business plan for 2013-2016 which provided for expansion of the profitable international and intercontinental routes, while downplaying the less profitable domestic market. Tensions on the financial front however brought the Company to formulate a new business plan essentially aiming to drastically reduce costs and make the extension of its fleet subject to the actual availability of financial resources. The aforementioned capital transactions have led to significant changes in the shareholder base of Alitalia, with the addition of new significant shareholders such as Poste Italiane and Unicredit and the reduction of the share held by Air France. We are confident that the changed shareholder base will make it easier for a new business partner to be added, which would open up new prospects for the investee, also in terms of enhancement of the investment. Currently, advanced contacts are underway with the airline of the Arab Emirates, Ethiad.

In December 2013, I2 Capital Portfolio was placed under liquidation. This Company had been established to make specific non-controlling investments in listed companies or securities (the so-called "securities portfolio investments"). Given the closure end of the fund investment period and therefore of the already begun disposal of the assets, the extraordinary shareholders meeting of I2 Capital Portfolio has resolved to place the Company under liquidation. Upon liquidation, which is to be concluded by the end of the first half of 2014, the investment in Alitalia will be assigned to the Fund.

The Fund is a 30% shareholder of Benten Srl, which was established in ordered to carry out the agreement with Mediafiction (Cecchi Gori Group).

Currently, the transactions has absorbed resources of the fund in the amount of Euro 1.1 million, of which one million in the form of a recently refunded collateral. Benten has earned a gain of almost Euro 6 million for 2012 and Euro 0.2 million for 2013. During the first half of 2013 the Company distributed a divident equal to Euro 0.7 million and has recently resolved to distribute a further Euro 0.45 million.

To date, the assets to be a realised refer to a V.A.T asset of a significant amount, in addition to other receivables, in the capacity as Mediafiction assignees, from other companies belonging to the Cecchi Gori Group.

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Special situations

<u>FEB - Ernesto Breda SpA</u>

In the initial months of 2014 FEB – Ernesto Breda SpA ("FEB") assigned IRES (Corporate Income Tax) assets claimed for reimbursement for a nominal amount of Euro 11,173 thousand. The sale took place in two installments and made it possible to generate liquidity of Euro 8,208 thousand with the possibility of further collections up to Euro 618 thousand on the first installment (Euro 4,123 thousand), depending on the timing of the refunds from the Italian Tax Authorities (AGE). The transaction has already provided an economic benefit on 2013 of Euro 1,015 thousand due to the write back of the assigned credits.

The liquidation of the portfolio companies continued. Bredafin Innovazione SpA and Breda Energia SpA, for which in 2012 court-approved agreements with creditors were executed pursuant to article 214 of the Italian Bankruptcy Law, officially exited from the compulsory administrative liquidation procedure in the initial months of 2014. For Bredafin Innovazione and Breda Energia, in 2013 tax assets from previous years were collected totaling Euro 0.7 million.

FEB continued to increase the value of its assets and manage the ongoing litigation. Insofar as the former, as part of its own liquidity management, in July 2013 FEB granted to its indirect parent a loan of Euro 3,100,000 which matures on 31 December 2013 with interest at the Euribor three month rate plus a spread of 325 bps. The loan in question was paid through this sale by Quattroduedue SpA to FEB of 526 bonds named "Convertendo Intek Group 2012-2017" issued by Intek Group SpA. The convertible bonds sold in extinguishment of the loan expire on 27 September 2017 and carry the commitment made by Quattroduedue to hold FEB harmless for an amount equal to the issue price of the aforementioned convertible bonds plus an annual interest rate of 6% beginning from 1 January 2014, net of what will be realised by FEB for the sale to third parties of the convertible bonds, in the event that by 29 July 2017 Intek Group has not announced its intention to opt for the reimbursement of the bond in cash.

With regard to the handling of the litigation, an agreement was reached with a consultant who provided consulting prior to the launching of the Company's bankruptcy procedures. The transaction produced positive effects of Euro 1.5 million, of which Euro 1.3 million had already been recognized in the 2012 financial statements.

On the other hand, despite FEB's efforts to reach an out-of-court agrement, the lawsuit brought by SGA- Società per la Gestione di Attività SpA (SGA) continues to be ongoing and more information is provided in this regard in the disputes section.

Former Fime – Isno 2 operations

During the year Euro 3.5 million were collected in relation to the former Fime-Isno 2 operations, of which Euro 1 million for the sale of a property.

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Real Estate Sector

In relation to the real-estate sector, it is noted that:

- in January 2013, an important agreement was entered into between the Intek Group and Palano & Figli and its guarantors, with regards to receivables amounting to Euro 3.5 million claimed by the Intek Group and guaranteed by property. Based on this agreement, the ownership of certain property located in Sicily may be transferred to the subsidiary I2 Real Estate. The credit was later transferred by Intek to I2 Real Estate;
- at the end of December 2013, I2 Real Estate took over a debt of Euro 7.5 million, plus interest, due by Intek Group to the Cassa di Assistenza e Previdenza dei Ragionieri e Periti Commerciali (the “Cassa”);
- again in December 2013, I2 Real Estate and the Cassa concluded an agreement with which the former committed to sell and the latter committed to purchase, by June 2014, the property located in Paris and a part of the amount from the aforementioned agreement concluded with Palano & Figli, free of encumbrances, offsetting the relative credit and debit positions;
- in January 2013 the transfer of the property complex in Conegliano Veneto was also completed with the closing of all assets and liabilities that remained open at 31 December 2012;
- during the period in consideration, there were additional sales of the Padua property units and their carrying amount value was less than Euro 0.7 million;
- during 2013 work continued to create value from the sale of properties in Varedo (MB) and Borgo Panigale (BO), which are held respectively by the subsidiaries Tecno Servizi Srl and Rede Immobiliare Srl.

Other activities

In 2013, the corporate simplification activity continued which led to the essential completion of the liquidation of Tecsinter Srl (closed at the beginning of 2014) and of Inteservice Srl. The liquidation of Progetto Ryan 2 (formerly Meccano Srl) continues. The recovery of the receivables which remain in the portfolio is proceeding with difficulty and therefore the closure of the liquidation process cannot be envisaged at this time.

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With regard to the financial operations, it is hereby noted that in December 2013 the installment of Euro 5 million for one of the loans in existence with GE Capital was paid. The balance of this loan equal to Euro 5 million, expires at the end of December 2014, while the last installment of Euro 4.7 million of another loan, again from GE Capital, expires on 30 June 2014.

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Advanced Services Sector

In the Advanced services sector, through the investment in the listed Company Cobra AT SpA, the Intek Group has expanded its business through one of the main European operators that can provide integrated services to manage the risks associated with the possession, ownership and use of vehicles through the use of IT and satellite technology.

Cobra is engaged in a radical reorganization and restructuring of its activities, which started in past years. This process will allow optimisation of its resources and a reduction in operating costs.

This streamlining, together with an increase in volumes and the offer of new products, will be essential factors for the growth of Cobra in future years.

This program will make it possible to rationalise the operating processes of the electronic part, its objective being profitability of sales, with the consequent improvement in the operating profit, as had already taken place in 2012 compared to 2011.This is also related to the renovation of the range of products that will permit additional market shares to be covered further enhancing the electronics segment in view of a possible future sale.

As for the services segment, work will continue to develop online and safety services. For online services, continued in 2013 the collaboration with the insurance sector and with the Generali Group in particular; in the automotive sector, the collaboration continued with Porsche AG and will be significantly developed over coming years.

On 17 April 2014, agreements were concluded with credit institutions that had participated in the extension of the moratorium and the standstill period. This agreement provides for (i) the rescheduling of the mid and long-term loan payments with a pre-amortisation period up to 30 December 2016 and final expiration of the repayment plan on 31 December 2019; (ii) maintenance of the short-term credit lines within the currently existing limits and automatic renewal from year to year, subject to fulfillment of specific terms and conditions and (iii) the possibility for the Company of taking on new credit lines in order to support growth.

As part of the debt restructuring and in order to allow for conclusion of the agreements with the banks, Cobra obtained the authorisation of KME Partecipazioni to accept the possible designation for acquisition of a 20% investment in Cobra Telematics SA (of which Cobra owns 80%) held by Tracker Connect Proprietary Limited in the event that Tracker exercises the option to sell the aforementioned investment granted to it based on the shareholders' agreement relative to Cobra Telematics SA concluded with Cobra in July 2012 and if Cobra decides to appoint KME Partecipazioni as the third party purchaser.

In 2013 Cobra's consolidated revenue reached Euro 144.6 million, down for the service business unit (- 11.11%) due to the sale of certain non-core businesses. The revenue from the electronic systems business unit are unchanged from those achieved in 2012. Consolidated EBITDA improved from Euro 5.8 million in 2012 to Euro 17.0 million in 2013 (+195%). The consolidated loss is Euro 2.0 million (it was negative by Euro 14.2 million 2012), with a strong positive change mainly due to the increase in operating profit. The consolidated net financial debt of Euro 48.7 million compared to Euro 38.2 million at 31 December 2012.

The number of subscribers to the Telematics Services has increased by 25.3% compared to previous year, to exceed 304,000 units. This result is mainly due to the new activations, both in terms of the SVR (Stolen Vehicle Recovery) and Smart Insurance, mainly in Italy.

For further information on the operating performance of Cobra refer to the documentation made available by the Company.

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In the "energy from renewable sources" sector, **ErgyCapital SpA,** a listed Company which is the sector parent**,** intends to focus its operations on cash generation from the plants in operation and a careful management of liquidity. Over the last few years the Company has redefined the *mission* of the group, resized its operations through the closure of operating facilities, staff reduction achieving the consequent significant reduction in operating costs. **ErgyCapital** intends to continue its research and valuation of extraordinary transactions both for the Company overall as well as for the individual *business units*, aimed at creating value for the shareholders.

In 2013 ErgyCapital recorded revenue of Euro 18.2 million, showing an improvement on the previous year's figures.

Consolidated **EBITDA** is positive by Euro 9.0 million, as compared to Euro 9.2 million in 2012 due to:

- the continuation of the monitoring and containment of the overheads;

- the improvement of the results for the Biogas and geothermal operating sectors;
- and also the drop in the revenue connected to the production of electricity in the photovoltaic sector, due to the unfavourable weather conditions in the first quarter of 2013.

The **loss for the year** is Euro 2.6 million (Euro 2.1 million in 2012).

The net financial debt moved from Euro 91.1 million at 31 December 2012 to Euro 77.1 million at the end of 2013. The essential reduction of Euro 14 million is mainly attributable to the capital injection of Euro 9.7 million, the repayment of medium to long-term loans of Euro 1.9 million as well as the decrease in the fair value of derivative contracts used for hedging of Euro 2.5 million.

For further information on the operating performance of ErgyCapital refer to the documentation made available by the Company.

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The investments in Cobra A.T. and ErgyCapital are recorded in the consolidated financial statements of the Intek Group, which are prepared in compliance with the IFRS, usingthe equity method.

* * *

Group results

With reference to Group results, it is noted that the services and renewable energy sectors are consolidated using equity method. The financial sector, whose operations have been included as from 1 December 2012, in practice made no economic impact in 2013.

Equity as at 31 December 2012 was down by Euro 55,794 thousand with respect to that presented in the consolidated financial statements atr the same date as a result of the application of the revised version of IAS 19 that, abolishing the so-called "corridor", provided for all actuarial differences relative to pension funds to be accounted for in equity.

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The above reclassified performance indicators are useful for the analysis of the Group's economic performance because they are considered more representative of actual economic and financial performance.

* * *

Alternative performance indicators

EBITDA (gross operating profit)
This indicator represents a useful measure to assess the Group's operating performance and is an intermediate economic measure which derives from EBIT (operating profit) excluding amortisation and depreciation of intangible assets and property, plant and equipment and non-recurring (expense)/income.

Net financial debt
This is an indicator of financial structure and is equal to gross financial payables reduced by cash and cash equivalents and other financial receivables.

Net invested capital
Net invested capital is defined as the sum of the "Non-current assets" and "Current assets", net of "Current liabilities", excluding the items previously considered in the definition of "Net financial debt".

* * *

<u>Reclassified Income Statement</u>

In the comments on the operating results, financial and economic information has been used taken from the Group's operating systems and based on accounting principles which are different from the IFRS, mainly in terms of measurement and presentation.

Here below are the main elements:

1. *in order to eliminate the impact of fluctuations in raw material prices, revenue is also presented net of raw material costs.*
2. *the cost of the base-stock component (i.e., inventories that will not be sold) of year-end metals inventories in the copper and copper-alloy semi-finished products sector is determined on a last-in, first-out basis. The stock that will be sold, on the other hand, is measured at its contractual selling prices, which are deemed to be their realisable value. Under IFRS, on the other hand, inventories are required to be measured at the lower of purchase cost on a FIFO basis and net realisable value. IFRS also require forward sales and purchase contracts as well as hedging contracts traded on the LME to be separately identified and reported in the financial statements at their fair values, as if they were financial instruments. By not permitting the LIFO measurement of year-end inventories that is used internally for management control purposes, IFRS introduced an exogenous factor, the variability of which makes it impossible to compare homogeneous data for different periods that would give an accurate picture of the results of operations.*
3. *Non-recurring items are reported below EBITDA/EBIT.*

The table below shows the effects for the year 2013 of the different methods of measurement and presentation. **Reclassified Consolidated Income Statement**

(millions of Euro)	*2013 IFRS*		*Reclassi fication*	*Adjustments*	*2013 Reclassified*	
Gross revenue	2,335.12	**100.0%**	-	-	2,335.12	
Cost of raw materials	-		(1,665.90)	-	(1,665.90)	
Revenue net of raw materials	**-**				**669.22**	**100.0%**
Personnel expense	(299.12)		2.40	-	(296.72)	
Other consumables and costs	(2,001.34)		1,674.40	16.00	(310.94)	
EBITDA (gross operating profit) (*)	**34.66**	**1.5%**	**10.90**	**16.00**	**61.56**	**9.2%**
Amortisation and depreciation	(44.62)		(0.80)	-	(45.42)	
EBIT (operating profit)	**(9.96)**	**-0.4%**	**10.10**	**16.00**	**16.14**	**2.4%**
Net financial expense	(20.42)		-	-	(20.42)	
Loss before non-recurring items	**(30.38)**	**-1.3%**	**10.10**	**16.00**	**(4.28)**	**-0.6%**
Non-recurring income/expense	-		(10.10)	-	(10.10)	
Effect of IFRS measurement of inventories and financial instruments	-		-	(16.00)	(16.00)	
Taxes on IFRS measurement of inventories and financial instruments	-		-	2.60	2.60	
Current taxes	(14.44)		-	-	(14.44)	
Deferred taxes	20.45		-	(2.60)	17.85	
Loss after taxes (IFRS measurement of inventories)	**(24.37)**	**-1.0%**	**0.00**	**-**	**(24.37)**	**-3.6%**
Share of profit of equity-accounted investees	(2.17)		-	-	(2.17)	
Profit/ (Loss) from discontinued operations	-		-	-	-	
Loss for the year	**(26.54)**	**-1.1%**	**0.00**	**-**	**(26.54)**	**-4.0%**
Profit attributable to non-controlling interests	0.38		-	-	0.38	
Loss attributable to owners of the Parent	**(26.92)**	**-1.2%**	**0.00**	**-**	**(26.92)**	**-4.0%**

A summary of the consolidated economic results for the Group in 2013, compared with the results for 2012, is presented in the table below.

Reclassified Consolidated Income Statement

(millions of Euro)	*2013 Reclassified*		*2012 Reclassified*	
Gross revenue	2,335.12		2,571.50	
Cost of raw materials	(1,665.90)		(1,861.80)	
Revenue net of raw materials	**669.22**	**100.0%**	**709.70**	**100.0%**
Personnel expense	(296.72)		(315.50)	
Other consumables and costs	(310.94)		(352.70)	
EBITDA (gross operating profit) (*)	**61.56**	**9.2%**	**41.50**	**5.8%**
Amortisation and depreciation	(45.42)		(44.00)	
EBIT (operating profit)	**16.14**	**2.4%**	**(2.50)**	**-0.4%**
Net financial expense	(20.42)		(27.60)	
Loss before non-recurring items	**(4.28)**	**-0.6%**	**(30.10)**	**-4.2%**
Non-recurring income/(expense)	(10.10)		(51.00)	
Effect of IFRS measurement of inventories and financial instruments	(16.00)		11.20	
Taxes on IFRS measurement of inventories and financial instruments	2.60		(0.90)	
Current taxes	(14.44)		(7.60)	
Deferred taxes	17.85		7.60	
Net profit (IFRS measurement of inventories)	**(24.37)**	**-3.6%**	**(70.80)**	**-10.0%**
Share of profit of equity-accounted investees	(2.17)		(7.30)	
Loss for the year	**(26.54)**	**-4.0%**	**(78.10)**	**-11.0%**
Profit attributable to non-controlling interests	0.38		0.60	
Loss attributable to owners of the Parent	**(26.92)**	**-4.0%**	**(78.70)**	**-11.1%**

We note the significant improvement in the Group's profit and loss performance, with operating profits returning to positive ground. The performance would have been even more positive considering the effects of the non-recurring transactions essentially concluded during 2013, in particular the transaction relative to the sanitary tubes in England.

Consolidated equity can be summarised as follows:

Consolidated equity			
(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012 Restated*	*31 Dec. 2012 Published*
Share capital	314,225	314,225	314,225
Reserves	(19,742)	60,465	116,259
Loss for the year	(26,920)	(78,732)	(78,732)
Equity attributable to owners of the Parent	**267,563**	**295,958**	**351,752**
Equity attributable to non-controlling interests	6,623	6,743	6,743
Total equity	**274,186**	**302,701**	**358,495**

The Group's **financial debt** as at 31 December 2013 was equal to Euro 367.3 million, improved slightly with respect to figures at the end of 2012 (Euro 339.4 million at the end of 2012).

Reclassified consolidated net financial debt			
(thousands of Euro)		*31 Dec. 2013*	*31 Dec. 2012*
Current loans and borrowings		337,946	114,122
Non current loans and borrowings		96,869	341,983
Loans and borrowings due to Group companies		4,986	927
(A) Financial payables	**(A)**	**439,801**	**457,032**
Cash and cash equivalents		(41,795)	(65,813)
Current loan assets		(66,141)	(70,680)
Current loan assets due from Group companies		(10,915)	(14,135)
(B) Cash and current financial assets	**(B)**	**(118,851)**	**(150,628)**
Fair value of LME and metals forward contracts		(8,121)	(20,994)
Fair value of other financial instruments		635	1,526
(C) Financial instruments measured at fair value	**(C)**	**(7,486)**	**(19,468)**
(D) Consolidated net financial debt prior to outstanding securities	**(A) + (B) + (C)**	**313,464**	**286,936**
(E) Outdstanding debt securities in circulation (net of interest)		**57,595**	**57,066**
(F) Consolidated net financial debt	**(D) + (E)**	**371,059**	**344,002**
(G) Non-current loan assets		**(3,770)**	**(4,585)**
(H) Total net financial debt	**(F) + (G)**	**367,289**	**339,417**

(F) Definition from Consob communication DEM/6064293 dated 28 July 2006 enforcing the CESR recommendations dated 10 February 2005.

(H) This is an indicator of financial structure and is equal to gross financial debt reduced by cash and cash equivalents and financial receivables.

The increase in the current loans and borrowingsis connected to the reclassification of the debt contracts in the copper sector which mature in the next twelve months and currently under renewal as already indicated under “Business performance in the various investment sectors.”

The cash flows for the period may be summarised in the Consolidated Statement of Cash Flows, prepared using the indirect method, as follows:

Statement of cash flows - indirect method			
(thousands of Euro)		*2013*	*2012*
(A) Cash and cash equivalents at the beginning of the year		**65,813**	**66,483**
Loss before taxes		(32,549)	(77,158)
Amortisation and depreciation of intangible assets and property, plant and equipment		42,620	46,524
Impairment losses on current assets		1,766	4,764
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		(2,186)	5,148
Impairment losses (reversal of impairment losses) on current and non-current financial assets		5,214	7,279
Capital losses/(gains) on non-current assets		-	(18)
Changes in provisions for pensions, post-employment benefits and stock options		(1,711)	2,883
Changes in provisions for risks and charges		(14,497)	5,041
Decrease (increase) in inventories		44,780	36,874
Share of profit of equity-accounted investee		2,165	7,319
(increase) / decrease in current receivables		2,203	11,639
Decrease in current payables		(24,779)	(47,597)
Changes from currency translation		(1,767)	(185)
Decrease / (increase) in LME and currency forward contracts		12,873	(11,707)
Taxes paid during year		(13,332)	(7,979)
(B) Total Cash flows from (used in) operating activities		**20,800**	**(17,173)**
(increase) in non-current intangible assets and property, plant and equipment		(30,074)	(37,645)
Decrease in non-current intangible assets and property, plant and equipment		5,562	1,360
(increase) decrease in investments		(6,579)	(6,373)
Increase/decrease in other non-current assets/liabilities		(3,323)	(2,890)
Dividends received		-	271
(C) Cash flows used in investing activities		**(34,414)**	**(45,277)**
Equity cash variations		-	(47,162)
Purchase of treasury shares and similar		(3,404)	(2,543)
Decrease in current and non-current loans and borrowings		(17,646)	(57,539)
Decrease in current and non-current financial assets		10,646	149,438
(D) Cash flows from (used in) financing activities		**(10,404)**	**42,194**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(24,018)**	**(20,256)**
(F) Change in scope of consolidation		**-**	**19,586**
(G) Cash and cash equivalents at the end of the year	**(A) + (E) + (F)**	**41,795**	**65,813**

The **net consolidated invested capital** was as follows:

Net consolidated invested capital			
(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012 Restated*	*31 Dec. 2012 Published*
Net non-current assets	818,955	849,895	849,895
Net working capital	128,566	131,971	131,971
Provisions	(306,046)	(339,748)	(283,954)
Net invested capital	**641,475**	**642,118**	**697,912**
Total equity	274,186	302,701	358,495
Net financial debt	367,289	339,417	339,417
Source of finance	**641,475**	**642,118**	**697,912**

"Net Invested Capital" is a financial indicator which is not envisaged by the IFRS and should not be considered as an alternative to the indicators envisaged by the IFRS. Its components are given here below:

- *"Net non-current assets" consists of the sum of the items "Property, plant and equipment", "Intangible assets", "Investments" and "Other non-current assets" and "Other non-current financial assets" which are not included in the definition of "Net financial debt" (typically quota of close-end and reserved funds).*
- *"Net working capital" consists of the sum of the items "Inventories" and "Trade receivables" net of "Trade payables" and "Other current assets/liabilities", except for the items previously considered in the definition of "Net financial debt".*
- *"Net provisions" includes the item "Employee benefits", "Net deferred taxes" and other "Provisions for risks and charges".*

Other information:

Related party transactions

Related party transactions, included intercompany transactions, were neither atypical nor unusual, in that they were part of the Group's day to day business and were all conducted on an arm's length basis or according to standard criteria.

Transactions between Intek Group and its subsidiaries, as well as transactions among subsidiaries that are eliminated on consolidation are disclosed in the notes.

Transaction with subsidiaries and parents

The Intek Group SpA is the recipient of a loan from the holding Company Quattroduedue SpA (originally with Quattroduedue Holding BV). The loan is repaid on the basis of Euribor plus a 100 basis point spread. At 31 December 2013 the balance of this loan was Euro 1,169 thousand. Quattroduedue guarantees, with 41,500,000 Intek Group shares that it owns, a Euro 4,667 thousand loan provided to Intek Group itself.

The breakdown of transactions with subsidiaries and parents is in the Notes to the financial statements.

Pending litigation

Here below are the most important legal proceedings at Company and Group level.

As for the parent, we note the following:

In regard to the lawsuit brought before the Court of Florence (R.G. n. 11968/2012) by some of KME Group's non controlling shareholders (holders of 494,695 ordinary shares, equal to 0.111% of the share capital on the 9 May 2012 Extraordinary shareholders' meeting) who claim that the KME Group shareholders' meeting failed to pursue the corporate interests, and also claim the perpetration of specific evasive conduct (failure to comply with the regulation regarding the right to withdrawal pursuant to art. 2437 of the Italian Civil Code), the Intek Group appeared in court requesting for the rejection of all the requests since they were inapplicable, inadmissible and, in any case, ungrounded in both fact and law.

The first hearing, initially scheduled for 26 February 2013, was not held because the case was pending assignment to another Judge. The hearing was then held on 4 February 2014 and, upon completion, the Judge set a new hearing for 5 June 2014 for the settlement attempt and, upon application of the parties, handed down the terms for the submission of the three depositions pursuant to article 183, paragraph six, of the Italian code of civil procedure (31 October 2014, 28 November 2014, 19 December 2014). The hearing for the preliminary motions has been set for 29 January 2015.

In a similar lawsuit, brought before the Court of Ivrea (R.G. no. 1277/2012) by the same shareholders (holders of 259,858 ordinary Intek shares, equal to 0.199% of the share capital as at the date of the extraordinary shareholders’ meeting of 9 May 2012) which claim that the shareholders meeting of Intek did not act in the interests of the shareholders while perpetuating specific incomprehensible conduct (avoidance of the tender offer submitted by Quattroduedue Holding B.V. avoidance of the provisions regarding the right of withdrawal pursuant to article 2437 of the Italian Civili Code). Intek Group, which joined the proceedings following the merger becoming effective, made an entry of appearance and statement of defence on 21 December 2012, and asked for the rejection of all the requests since they were inapplicable, inadmissible and, in any case, ungrounded in both fact and law.

At the end of the hearing held on 22 March 2013, the Judge reserved the right to decide on combining the judgment with that pending before the Court of Florence. With its ruling of 17 May 2013, the Judge rejected the exception regarding the combined judgment and set the first hearing, pursuant to article 183, par. six of the code of civil procedure for 25 September 2013, then postponing it based on an order issued 23 September 2013 to 7 May 2014. Currently given the initial stage of the proceedings, it is not possible to make reliable risk assessments. It is necessary to await the outcome of any preliminary investigation. However, it is noted that the plaintiffs have not quantified the request for compensation, nor have they identified any parameter to make such quantification in both cases.

With regard to the dispute which had previously been brought against the merged Company Intek for previous sales of assets, in reference to Deloro Stellite (provision risk of Euro 1.3 million), there have been no developments and we are expecting the ruling of the Court of Cassation.

As for the activities conducted by the former Fime Leasing, the Company had been subject in previous years to investigation for undue detraction of VAT arising from a scam involving non-existent transactions, in which the Company was an injured party. The dispute is still ongoing as regards interest and collection fees relating to 1992 for a total of Euro 1.0 million (which has already been paid and is fully provided for in the financial statements) and on which, in 2011, the Regional Tax Commission issued a sentence against the Company and we are expecting the ruling of the Court of Cassation.

As for the Group, the following is noted:

- With regard to the damage claim filed in February 2010 by Toshiba Carrier UK Ltd and another 15 companies belonging to the same group before the English High Court of Justice - Chancery Division against KME Yorkshire Ltd, KME AG, KME France S.A.S. and KME Italy SpA, and another five producers of LWC pipes, in relation to violations of EU anti-trust rules (penalties were decided in 2003/2004, effective at the end of 2011, and were fully paid in February 2012), it should be noted that in 2011 the companies concerned in the KME Group had filed an appeal for removal from the proceedings and for lack of jurisdiction, which was rejected by the English High Court of Justice - Chancery Division. The aforesaid companies therefore filed an appeal to the Court of Appeal; this request was rejected and the KME Group's companies concerned submitted a request for impugnment to the Supreme Court of the United Kingdom, which in February 2013 had expressed a contrary opinion about the review of the case, with regards to the pleas pertinent to the claimed lack of jurisdiction, leaving the proceedings for the decision on the matter still unresolved. In February 2014, the interested KME Group companies reached an agreement with the counterparties for settlement of the dispute relative to the principal and interests.

- In October 2012, IMI plc and IMI Kynoch, on the one hand, and Boliden AB, on the other, notified a summons in the form of a contribution claim against companies in the KME Group and against other manufacturers of plumbing tubes which were involved in the decision of the European Commission of 3 September 2004. The case is currently before the High Court of Justice – Chancery Division. On the basis of the information available, the Intek Group believes that the risk of an unfavourable outcome to the disputes is improbable, and in any case cannot be quantified, and therefore it did not allocate any provisions to cover the potential liabilities that could result from the proceedings. Nonetheless, it is not possible to rule out the possibility that the cases before the English High Court of Justice - Chancery Division may in the future lead to contingency costs which are greater than forecast and which may have a negative impact on the financial position of the Group.

* * *

In January 2012 the subsidiary FEB received a credit claim from SGA - Società per la Gestione di Attività SpA (SGA), claiming it was the assignee of ISVEIMER for conditional receivables which had already been recorded as liabilities for the procedure involving Finanziaria Ernesto Breda under the administrative compulsory liquidation which ended with the court-approved arrangements as approved by the Court of Milan, as well as claiming interest on arrears. FEB promptly rejected SGA’s credit claims, observing that the treatment of the conditional payables was definitively determined in the agreement proposal that was approved without any opposition and legally became obligatory for all the creditors. With the writ of summons notified in March 2013 SGA started proceedings against FEB before the Court of Naples and asked for recognition of its rights as a creditor.

Backed by the opinions supplied by its lawyers, FEB appeared before the Court in July 2013 and strongly contested SGA’s claims, in the belief that it acted correctly in its treatment of the conditional receivable being challenged and of the related incidental expenses, for which a specific accounting entry had already been made arising from the procedure recorded during the creditors’ agreement for a total amount of Euro 6 million. Rejecting subsequent settlement proposals made by FEB, in the fall of 2013 SGA initiated interim injunction proceedings and obtained from the court of Naples the seizure for protective purposes of the assets and receivables of FEB, thereby seizing also the receivables due to FEB from Intek Group of Euro 9 million. FEB immediately submitted an appeal against the court’s decision. This seizure has no bearing on the judicial outcome of this case.

* * *

Parent and ownership structures

The Company is controlled by Quattroduedue Holding BV which is based in Amsterdam (Holland), Kabelweg 37, through Quattroduedue SpA, a wholly-owned subsidiary of the aforementioned Quattroduedue Holding BV. At 31 December 2013 Quattroduedue Holding BV held 158,067,506 Intek Group ordinary shares, or 45.749% of the Company’s ordinary share capital.

For all other information relating to the ownership structures, governance of the Company and all other obligations, including that relating to compliance with section VI of the market regulation, reference should be made to the specific report prepared pursuant to art. 123 bis of Leg. Decree 58/98, which is an integral part of this report.

* * *

Staff

At 31 December 2013 the Intek Group had 11 employees, of which 3 were managers and 8 were white-collar staff, one of whom resigned at that date.

With reference to the Group, at 31 December 2013 the head count was 5,850 employees whereas it equalled 5,991 employees at 31 December 2012.

The average number, compared with 2012, was as follows:

	2013	*2012*
Blue-collar workers	4242	4.372
Executives and clerical	1,609	1,739
Total	**5,851**	**6,111**

* * *

As for the economic treatment and all other remuneration aspects of key management personnel, reference should be made to the specific report on remuneration, prepared in compliance with the specific provisions issued by Consob and which is part of this report.

* * *

Treasury shares

At 31 December 2013 the Company held 6,230,691 ordinary treasury shares (1.80% of the shares in this category) acquired following the withdrawal granted by the merged Company Intek due to changes in the business purpose.

At the same date the Company also held 978,543 treasury savings shares (1.952% of that type of capital), which also arose following the withdrawal granted by Intek.

In addition, it is noted that at 31 December 2013 the 100%-owned subsidiary KME Partecipazioni held 2,512,024 Intek Group savings shares, 5.013% of the relevant share capital.

In the initial months of 2014, Intek Group sold 1,134,945 ordinary shares and therefore reduced, at the date of this report, the ordinary treasury shares it held to 5,095,746 or 1.474% of the share capital.

* * *

It is noted that the Company's Board of Directors, at its meeting of 14 September 2012, decided, among other things, to make use of the exception envisaged by articles 70, paragraph VIII, and 71-bis of the Issuer Regulation, which gives the Company the right to be exempt from the obligation to publish a Prospectus on significant operations in terms of mergers, de-mergers, share capital increases through transfers of goods in kind, acquisitions and disposals.

* * *

Update in matters of governance

We would now like to update the corporate governance information provided with the financial statements at 31 December 2012, with additional details in the Report on Corporate Governance and the ownership structure.

The shareholders' meeting held on 28 June 2012 had made a resolution regarding the appointment of the Board of Directors and Board of Statutory Auditors until the end of the year to be concluded on 31 December 2014.

On that date, the Board of Directors had in turn resolved on the appointment of the corporate offices, of Control and Risk Committee, and of the Remuneration Committee, as well as the Manager in charge of Financial Reporting.

During the 30 April 2013 Shareholders' Meeting that approved the financial statements for the financial year ended 31 December 2012, amendments in the composition of the Board of Directors and the Board of Statutory Auditors were adopted, subsequent to resignations in both bodies, amendments that are reported here below:

- with regard to the Board of Directors, James Macdonald and Franco Spalla (Independent Director) were appointed as Directors after the resignation of the Directors and Chief Executives Riccardo Garrè and Italo Romano, who continue to provide their services in the copper sector and are members of the Vorstand of KME AG, a wholly-owned subsidiary and which controls the industrial group in that sector;
- with regard to the Board of Statutory Auditors, Marco Lombardi was confirmed as Chairman while Alberto Villani was appointed as Statutory Auditor and Andrea Zonca was appointed as Alternate Auditor, Lorenzo Boni resumed the position of Alternate Auditor. It should be mentioned that these changes are all directly associated with the 2012 resignations of the Chairman of the Board of Statutory Auditors Riccardo Perotta and of the alternate auditor Luca Bertoli, of which public disclosure was made in the Report on Corporate Governance of the most recent financial statements.

Quattroduedue SpA proposed the appointments of the Directors James Macdonald and Franco Spalla as well as the completion of the Board of Statutory Auditors on the Company shareholder date with 45.749% of the ordinary share capital.

Again as regards the Board of Directors, the holders of the “2012/2017 Intek Group SpA Debt securities”, appointed the relevant Director in the person of Luca Ricciardi during that same Shareholders' Meeting.

Afterwards, on 9 May 2013, the Director Gian Carlo Losi resigned from the offices he held as did Marco Miniati from that of Manager in charge of Financial Reporting.

During the meeting on 14 May 2013, the Board of Directors resolved on the co-option of Ruggero Magnoni as Director and Giuseppe Mazza as the Manager in charge of Financial Reporting.

The new Director will remain in office until the next upcoming Shareholders' Meeting while the office of the Manager in charge of Financial Reporting will terminate upon the natural expiration date of the incumbent Board of Directors (upon approval of the financial statements at 31 December 2014).

It should be specified that the Directors Franco Spalla and Luca Ricciardi bear the title of Independent Directors in accordance with regulations in force and with the Corporate Governance Code. The resumes of the new elected officials are available on the website www.itkgroup.it

On 14 May 2013, the Board of Directors appointed Luca Ricciardi as a member of the Control and Risks Committee as a substitute for the Director Alberto Pirelli (resigning).

It should be noted that on 30 April 2013, the Special Meetings of the “2012/2017 Intek Group SpA Participatory Debt Financial Instruments” holders and the “2012/2017 Intek Group SpA Bonds” holders were convened to resolve on the appointment of the respective Common Representatives.

Being inquorate, these Meetings were unable to resolve; the Company therefore acted requesting the Court of Milan having jurisdiction to make the necessary appointments. With its decision filed on 17 June 2013, the aforementioned Court appointed:

- Marco Crispo as Common Representative of the “2012/2017 Intek Group SpA Bond” Holders;
- Rossano Bortolotti as Common Representative of the “2012/2017 Intek Group SpA Participatory Debt Financial Instruments” Holders.

With that same decision, the Court of Milan awarded both men an annual remuneration of Euro 5,000 and established a duration of two years for the assignment.

The Company received the proposals for candidacy of Mr. Crispo and Mr. Bortolotti before the respective Special Meetings from 3.40% of the Bond Holders and from 5.88% of the “2012/2017 Intek Group SpA Debt securities” Holders. Their resumes are also available on the website www.itkgroup.it.

As regards the share capital, there were no amendments concerning its entity and composition, however, haven taken into account that previously mentioned, the 30 April 2013 Shareholders' Meeting did not resolve on the distribution of any dividend, starting on the following 2 May, the outstanding savings shares issued had a single listing line characterised by the following ISIN codes:

- IT0004552375 as regards the registered savings shares;
- IT0004552367 as regards unregistered savings shares.

Finally, it is noted that within the scope of the delegation granted to the Directors for the acquisition of treasury shares, no transaction was conducted during the period considered.

Principal risks and uncertainties to which Intek Group SpA and the subsidiaries are exposed.

Risks relating to the general economic environment

Intek Group is active in the metallurgical sector, specifically the production and processing of copper and copper-alloy products, which have historically been subject to excess production capacity and cyclicality.

The Group's financial position is affected by economic trends which have varying effects in the different countries where it operates, especially in Europe.

In the industrial sector, the gradual deterioration of the economy, combined with the volatility of raw material prices and the credit crunch obviously had major and widespread repercussions on demand in the sectors using copper and copper-alloy semi-finished products.

It is always difficult to predict the extent and duration of the business cycle. The cyclical nature of the sectors in which Intek operates tends to be a reflection of general economic trends, the effects of which are sometimes amplified. Each macroeconomic phenomenon such as the collapse of principal markets, financial market volatility and the consequent deterioration of capital markets, increased energy prices, fluctuating prices of commodities and other raw materials, adverse movements in interest and exchange rates and tightening of government policy (including environmental regulations) – which are believed to have a negative impact on the sectors in which Intek Group operates – could lead to a deterioration in the Group's outlook, operations, financial position, results of operations.

Against this background, the INTEK Group has brought forward a number of contingent measures designed to counter the effect of lower volumes and price pressures. At the same time, the Group went ahead with the structural actions it started some time ago to make its manufacturing operations more efficient and its organization more focused, as well as optimize returns on invested capital. Should the marked weakness and uncertainty of the economy persist for a significant period, the Group's operations, strategies and outlook could be negatively affected, with a consequent impact on its financial position, financial performance and cash flows.

In reference to the activities arising from the merger with Intek, it is noted that:

- the current situation of the real estate market – industrial, tertiary and/or residential – with limited transactions, reduced access to credit for potential purchasers and partial misalignment in price expectations between supply and demand, might prevent the planned disposals being completed within the timeframes and in the ways contemplated;
- the valorisation of some assets is strictly connected to the outcome of some legal proceedings (for example, bankruptcy procedures) which are still ongoing and the completion of which could be delayed;
- the collection of some receivables and/or the non-payment of some liabilities is strictly dependent on the decisions and/or effective financial resources of third parties and/or public authorities;
- the procurement of permits and/or authorisations requested from public authorities/third parties could be delayed.

Competition and commodity price risks

The main industrial sector where Intek operates is traditionally characterised by significant over-capacity and by a high level of competition, including in product sectors other than metallurgy. The risk of product substitutions, production cost levels, cost control and the continuing drive for efficiency, product innovation, and the ability to offer customers services and solutions, are all factors that can have a considerable effect on results.

The copper and copper-alloy semi-finished products sector is also influenced by raw material prices. The high level and persistent high volatility of raw material prices and, in particular, the price of copper, which accounts for approximately 85% of the raw materials used, creates market uncertainty and tensions, causing customers to defer purchases and thus making it difficult to predict demand.

Raw materials price increases also have an effect on financial position in that they lead to an increase in the working capital of industrial companies (through the increase in the value of warehouse inventories and trade amounts outstanding) that must be financed. To this end, since 2006 the INTEK Group acquired credit lines that were sufficient to meet the needs arising from the rise in raw material prices; but if these prices should stabilise at the very high levels reached, the Group might find it necessary to further increase its credit lines at a time when the financial markets are more difficult and costly.

From an operating viewpoint, a significant and long-lasting increase in raw material prices, in particular of copper, exposes the Group to the risk that users may seek to use alternative products for some applications, products which are available at much lower prices, but of lower quality and performance; the sectors exposed to this type of competition might find it difficult to achieve their planned performance targets.

Risks connected to investments in the renewable energy and energy saving sector

Production of renewable energy is closely connected to the weather (sun and wind) in the places where production plant is installed. In particular, the photovoltaic power generation sector is characterised by annual seasonal factors which are typical of the sector and which make renewable energy production discontinuous owing to the climatic conditions. In reference to renewable energy power generation plant, it should be noted that there are restrictions on its installation arising for example from the topographic and morphological conditions of the land, from the possibility of and the limits on connecting power generation plant to the local and national electricity distribution grids, from town-planning and environmental restrictions, as well as countryside landscape restrictions, in the local area (such as closeness to inhabited areas or protected zones pursuant to national and/or local law).

For these reasons, the number of available sites to install power generation plant is inevitably limited. In addition, the increase in installed renewable energy power generation plant and the increase in competition in looking for such sites have the consequence of reducing the number of sites available.

Therefore, should, for the aforementioned circumstances, it not be possible to find sites which are available and suitable for the development of projects to install power generation plant, there might be limits on the investment activity of ErgyCapital in this sector, with a consequent negative impact on the Group’s investment strategy and, consequently, on its financial position.

The renewable energy and energy saving market is characterised by a high level of competition and by rapid and major technological innovation. In addition, the technologies for the production of energy from renewable sources are tending to become increasingly complex and require ever greater financial resources for their development. ErgyCapital’s work, therefore, is very dependent on its ability to develop advanced technological solutions, to install increasingly efficient power generation plant, and to contain the costs of such installations.

The revenues of companies operating in the renewable energy sector depend, among other things, on the sale prices for electricity. Depending on the country where the electricity produced is sold, sale prices can be set (wholly or in part) by the competent public and/or regulatory authorities in the form of tariffs, or left to the free determination of the market. The business and results of operations of ErgyCapital and, consequently, of the Group depend on electricity tariffs and market prices.

ErgyCapital operates in a sector which is conditioned by relevant legal and regulatory provisions, including the law on authorisation procedures for the location and installation of renewable energy power generation plant. In addition, the profitability of investments in power generation assets also depends on Italian and EU law which sets aside incentives, on occasion significant incentives, for this activity.

Liquidity risk

The development of the Group's financial position depends on the achievement of targets as well as the general trends of the economy, financial markets and the sectors in which the Group operates.

The Group intends to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the expansion of existing credit lines as well as through income from the sale of assets.

The financial commitments will also be covered by the resources arising from the gradual disposal of assets from the merger with Intek and, in particular, from the disposal of real estate investments and the collection of tax receivables, non-performing receivables and receivables arising from insolvency procedures.

Given the current challenging environment, the Group intends to maintain sufficient operating cash flow generation capacity through measures designed to control the level of working capital and, in particular, cash needs arising from raw material inventories;

However, any significant and sudden reduction in sales volumes as well as extremely high raw material prices could have an adverse effect on operating cash flow generation. The current financial crisis means that it is not possible to ignore the possibility that circumstances on the banking and money markets could lead to difficult and costly negotiations with lenders.

Risks connected to forecasts, estimates and internal data processing relating to the Group, the Company and the market

This report contains some data and forecasts regarding the objectives set by the Intek Group and some assumptions regarding the financial development of the Parent and of the subsidiaries.

The data and the forecasts on the activities and expected results of the issuer and of the subsidiaries are based on the Company's estimates and assumptions regarding future and uncertain events, including the economic trend in the main European countries where the Group operates, the occurrence of which could also bring to significant discrepancies with the forecasts made. It is not possible to guarantee that what has been forecast and is expected to happen will in fact happen. The final results of the INTEK Group could be different from those forecast owing to known and unknown risks, uncertainty and other factors.

* * *

As Parent, Intek Group is substantially exposed to the same risks and uncertainties described above to which the Group is exposed. It should, however, be borne in mind that the results of the Group are a function of dividends distributed by subsidiaries and, therefore, ultimately reflect their business, investment and dividend policies.

Significant events after 31 December 2013

There were no subsequent events that need to be highlighted beyond those already set out above.

Proposal to approve the 2013 financial statements and cover the loss for the year

Dear Shareholders,

At their Ordinary General Meeting held on 11 June 2014 at the Company's registered offices of Mediobanca SpA, Via Filodrammatici, 3, Milan, Intek Group SpA's Shareholders, acknowledging the reports of the Board of Statutory Auditors and the Independent Auditors

resolved

a) to approve the Directors' Report on operations by the Board of Directors for the year ended at 31 December 2013 and the financial statements at the same date as a whole, and its individual entries and records with the provisions and uses proposed, which show a loss for the year of Euro 157,933;

b) to cover the loss of the year in the amount of Euro 157,933 by using of an equal amount from the extraordinary reserve which, due to this, will be reduced from Euro 15,427,302 to Euro 15,269,369.

Milan, 28 April 2014

Board of Directors
The Chairman
(Vincenzo Manes)

(signed on the original)

INTEK GROUP

2013

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

PURSUANT TO ARTICLE 123-BIS, OF LEGISLATIVE DECREE 58 DATED 24 FEBRUARY 1998

OF

INTEK GROUP SPA

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 28 APRIL 2014

Contents

Tables:

Foreword

The Board of Directors of Intek Group SpA (hereinafter the "**Company**" or "**Intek Group"** or the "**Issuer**"), in its meeting held on 28 April 2014, together with the 2013 separate/consolidated financial statements for, took the option provided by article 2364, par. II of the Italian Civil Code for extension and also approved the annual report on corporate governance (hereinafter the "**Report**") referring to the said year.

As the reports for the previous years, the Report provided here includes the amendments made to the (Italian) Corporate Governance Code for Listed Companies (hereinafter the "**Code**") in March 2006, March and December 2011 and takes into account the subsequent legislative changes.

The Code is available to the public on the website www.borsaitaliana.it.

In particular, in addition to taking into account the legislative changes made pursuant to Legislative Decree 173 of 2008, which resulted in amendments being made to art. 123bis of Legislative Decree 58 of 24 February 1998 (hereinafter the "**TUF**" the Italian consolidated Finance Act) and the instructions in the Market Regulation issued by Borsa Italiana SpA Section IA. 2.6, the Report has also been drafted with consideration taken of the more recent legislative changes regarding:

<u>- related-party transactions:</u>

With regard to the regulation containing provisions regarding the related-party transactions adopted by Consob with its resolution 17221 of 12 March 2010 which was subsequently amended with resolution 17389 of 23 June 2010;

<u>- exercise of shareholder rights:</u>

with regard to Legislative Decree 27/2010 which implemented directive 2007/36/EC, endorsing the record date regime referring to interventions in the Shareholders' Meeting by shareholders of issuers of shares listed on regulated markets;

<u>- functions of the Board of Statutory Auditors</u>

with regard to article 19 of Legislative Decree no. 39/2010 which implemented directive 2006/43. The regulation applicable to the function of the Board of Statutory Auditors has, in particular, affected the disclosures that are required to be made in compliance with the Code recommendations on the functions of the Internal Control Committee: in addition to confirming the elimination of the reference requiring valuation of the "proposals made by the auditing company in order to obtain the relative mandate" (Criterion 8.C.3, d.), first part of the Code), the references to the requirement for valuation of the "work plan scheduled for the audit" (Criterion 8.C.3, d.), second part of the Code) and the requirement referring to monitoring of the "efficacy of the audit process" (Criterion 8.C.3, e.), were expunged.

<u>- transparency of the remuneration to key management personnel:</u>

with regard to article 123-ter of the TUF and the implementing provisions approved by Consob with its resolution 18049 of 23 December 2011.

In regard to the latter, considering that the companies with shares listed on regulated markets are now required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by Consob Resolution 11971 of 14 May 1999 as subsequently amended and supplemented, which was issued in implementation of the TUF (hereinafter the "**Issuers Regulation**"), the pertinent information (see Sect. 9) will be provided by providing to the parties the remuneration report pursuant to article 123-ter of the TUF.

This Report has been prepared on the basis of the guidelines issued by Borsa Italiana (Version IV of January 2013) and the criteria set forth in article 89 bis of the Issuers' Regulation.

To this end, it is specified that pursuant to the novated second paragraph of article 123bis of the TUF, the requested information which is contained in this Report is disclosed to the public both by attaching this Report to the 2013 financial statements and through publication on the company's website www.itkgroup.it.

This report contains an introduction of the issuer's profile, in the section illustrating the ownership structure and sections dedicated to the description of the governance system adopted by Intek Group.

Furthermore, in compliance with the provisions set forth in art. 89 bis of the Issuers Regulation, the Report provides specific information regarding:

(i) compliance with each Code provision;

(ii) the reasons for any failure to comply with the Code's provisions;

(iii) any conduct adopted other than as provided in the Code.

This Report aims to illustrate the corporate governance model that Intek adopted in 2013, the specificities of the company, which aims to obtain essential alignment with the organisational model of the principles contained in the Code which the Company has declared it will comply with, as well as the relative recommendations made by the supervisory authorities, in relation to the small dimension and corporate structure of Intek.

It is hereby reiterated that the company has renewed its own commitment to participate in the Code, with the intent of adjusting its provisions and adopting the appropriate governance measures, also in relation to the provisions contained in Law 262 of 28 December 2005 (hereinafter the "**Savings Law**"), as amended by Legislative Decree 303 of 29 December 2006 and the regulatory provisions issued by Consob.

With the resolution of its Shareholders' Meeting held on 21 June 2007, the company amended its own By-laws (see website) in order to adjust certain clauses to the provisions set forth in the Savings Law.

To this end, with entry into effect of Law 62/2006 (hereinafter "**Market Abuse**") and the Savings law, the procedures were carried out for establishment of a registry as required by article 115 bis of Legislative Decree 58/1998 and the already existing ones were implemented which refer to the handling of confidential information, internal dealing provisions and transactions with related parties, as indicated below.

During 2007 with the afore-mentioned extraordinary shareholders' meeting held on 21 June 2007, amendments were made to the company's By-laws in order to implement, under article 17, the legislative definitions and provisions referring to the introduction of the voting list procedure for the appointment of the Board of Directors and article 16, on the indications for the appointment of the Manager in charge offinancial reporting (the "**Financial Reporting Manager in charge**"), pursuant to the provisions of the law on market abuse and article 154 bis of the TUF.

With its resolution on 21 June 2007 the Board of Directors appointed its own Manager in charge of financial reporting, conferring upon him the appropriate powers and financial resources. During 2013, the Manager in charge of financial reporting, with the support of a major audit firm, verified the specific procedures for the preparation of the issuer's financial statements.

The Company adopted new provisions by adapting the By-laws on the occasion of the shareholders' meeting held on 28 April 2011 and approving a new procedure on related party transactions at the end of 2010. This procedure is being reviewed at the end of 2013, as recommended by Consob with its communication DEM/10078683 issued on 24 September 2010.

Other changes to the By-laws had already been made in 2012 as part of the merger of iNTEk (hereinafter the " **Merger**") and the issuing of "Intek Group SpA 2012-2017 bonds" including those relative to the convertible bond named "Convertendo Intek Group SpA 2012-2017" – art. 4 Share capital:

With the resolution of its Board of Directors of 28 April 2014, the Company acquired a new organisational model pursuant to Italian Legislative Decree 231/2001 (hereinafter the "**Model**"), which has changed to apply to the new structure of the company following the merger, requiring in addition the appointment of a new control body.

Following is the information on the Company's compliance with to the main provisions of the Code.

The issuer's administration model has been modeled on the traditional model, providing for exclusive management of company operations by the Board of Directors, with the supervisory function being entrusted to the Board of Statutory Auditors and the legal audit of the accounts to an auditing firm.

The Company has continually improved the quality and quantity of the information it has been providing on corporate governance every year ever since the presentation of the financial statements at 30 June 2000. The website www.itkgroup.it contains the individual reports within the financial statements of the respective reporting periods, beginning from the year ended 31 December 2006. Together with the By-laws, the reports are also available on www.itkgroup.it.

During 2011, the provisions of the "gender quotas" for control and management bodies were introduced into the TUF. These provisions entered into effect in August 2011 but became operational with regard to the renewals of these bodies subsequent to August 2012. To this end, we reiterate that the Board of Directors and the Board of Statutory Auditors were appointed for 2012/2014 at the Shareholders' Meeting held on 28 June 2012.

In the initial months of 2012, legislation activity began aimed at "correcting" certain provisions of the TUF in regard to safeguarding the rights of shareholders, which resulted in an initial version with Legislative Decree 91 of 18 June 2012, which was then again amended with the Legislative Decree issued on 5 July 2012. These amendments partially entered into effect on 12 July 2012 while others were applied by the Shareholders' Meetings which were called after 1 January 2013.

1. Issuer Profile

Over time, the Company's business became more diversified compared to the traditional production and marketing of copper and copper alloy semi-finished products in which the investee KME A.G. is a worldwide leader.

Following the partial proportional reverse demerger (hereinafter the "Demerger") **of iNTEk SpA into KME Group SpA** (now "Intek Group"), which was concluded on 22 March 2010 and the merger of Drive Rent SpA into COBRA Automotive Technologies SpA, effective from 1 July 2011, the Company has extended its business to industrial sectors other than the traditional one by purchasing significant equity investments in the following listed companies:

- ErgyCapital SpA (renewable energy);
- COBRA Automotive Technologies SpA (services).

These equity investments are concentrated in the wholly-owned subsidiary KME Partecipazioni SpA (hereinafter **"KME Partecipazioni"**) and their performance is fully described in the Directors' Report.

The Merger took place in 2012: the company positions itself even more as a holding company of diversified investments, having the objective of managing portfolio investments and assets, oriented from a dynamic entrepreneurial perspective focused on cash generation and on the growth in the value of investments over time, even through sales functional to the new development strategies.

The merger of iNTEK resulted in the contribution by the latter of financial assets and fixed assets, including the private equity operations, which were traditionally carried out in the past by the merged company.

The Intek Group makes investments with medium-long term time horizons combining its entrepreneurial perspective with a solid financial structure and seeks to redefine a flexible portfolio with smaller investment cycles and more rapid cash generation. Maximisation of the value of the assets managed is achieved by defining business strategies and controlling of their implementation by subsidiaries, identification of agreements and/or partnership opportunities, the valorisation of specific assets and the management of non-recurring transactions for subsidiaries.

The Company maintained its corporate governance structure composed of Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

The Remuneration Committee and the Internal Control and Risks Committee were also appointed, both of which consist of only independent and non-executive directors.

With regard to the Group companies, it is hereby specified that the governance of the major German Industrial Company was organised according to the German model, in line with the normal operations for German companies, through the Supervisory Board (Aufsichtsrat) and a Management Committee (Vorstand).

2. Information on Ownership Structure

1. Share capital structure

The share capital of Intek Group, at the date of approval of this Report, unchanged compared to 31 December 2013, was Euro 314,225,009.80, consisting of 395,616,488 shares, of which 345,506,670 were ordinary shares and 50,109,818 were savings shares, all of which with no par value.

It is hereby noted that the merger of iNTEk into KME Group became effective on 30 November 2012 and resulted in the issue of 21,624,983 ordinary shares and 6,546,233 savings shares for a total of Euro 17,184,441.76, attributable to the Shareholders of iNTEk at a ratio of 1.15 INTEK Group ordinary shares/saving shares of for each iNTEk SpA ordinary share/savings share to be exchanged.

Both of the aforementioned shares are listed with the Mercato Telematico Azionario (the Italian electronically traded market) (hereinafter the M.T.A.).

Furthermore, again as a consequence of the merger with iNTEk SpA, the savings shares were in turn divided into two sub-categories respectively consisting of:

- 43,563,585 savings shares issued prior to the Merger;
- 6,546,233 savings shares issued following the Merger.

The difference between the two categories of savings shares was connected to the different right to dividends prior to the Merger to which they were entitled, as specified in article 8 of the By-laws (profit for the year):

- beginning from 2011 for the shares issued prior to the Merger;
- beginning from 2010 for the shares issued after the Merger.

There were two distinct listings of the shares which were maintained up to 30 April 2013, the date on which the Shareholders' Meeting which resolved not to distribute dividends for 2012 was held and therefore from 2 May 2013 all the 50,109,818 savings shares were added to a single category with the following ISIN codes: IT 0004552375 for the registered saving shares and IT 0004552375 for the bearer shares.

Regarding the rights attributable to the saving shares please see the aforementioned article 8 of the By-laws.

During 2012 following an exchange tender offer, the company issued pursuant to the combined provision of articles 2346, par. VI and art. 2351, par. V of the Italian Civil Code, 115,863,263 "*Strumenti Finanziari Partecipativi di natura obbligazionaria Intek Group SpA 2012-2017*" with maturity 3 August 2017 (hereinafter the "**SFP**") against the cancellation of the corresponding 115,863,263 ordinary shares and an additional 7,602,700 ordinary shares already owned by the company, totaling 123,465,963 ordinary shares and 135,831 saving shares, also owned by the company, without any reduction in the share capital.

Following are the characteristics of the SFPs:

- par value of Euro 0.42 for a total of Euro 48,662,570.46;
- minimum trading quantity/minimum lot equal to 50 and multiples thereof;
- nominal annual fixed rate of 8.00%;
- frequency of the annual coupon;
- dividend payment date 3 August of each year;
- first payment date 3 August 2013;
- expiry date 3 August 2017;
- bullet repayment on the expiry date at a price equal to 100% of the par value.

Articles from 26 to 26 *undecies* of the By-laws list the characteristics of the SFP and the rights afforded to their holders, among which are the following:

- the right to appoint a member of the Board of Directors, who shall hold the independence requirements pursuant to article 148, paragraph 3 of the TUF (article 26 *quinquies* – Administrative rights);
- the right to appoint a Common Representative (article 26 sexies – SFP Holders Meeting).

Following the Merger, 22,655,247 bonds from what is now named the "*Obbligazioni Intek Group SpA 2012-2017*", (the "**Bonds**") are outstanding which had previously been issued by the merged company iNTEk and were named "*Obbligazioni Intek SpA 2012-2017*".

The main characteristics of these Bonds are the following:

- par value of Euro 0.50 for a total value of Euro 11,327,623.50;
- minimum trading quantity/minimum lot equal to 2 and multiples thereof;
- nominal annual fixed rate of 8.00%;
- frequency of the annual coupon;
- dividend payment date 3 August of each year;
- first payment date 3 August 2013;
- expiry date 3 August 2017;
- bullet repayment on the expiry date at a price equal to 100% of the par value.

The Common Representative of the bondholders is Mr. Marco Crispo while the common representative of the SFP holders is Mr. Rossano Bortolotti.

Both were appointed, upon application of the company, by the court of Milan on 14 June 2013, as their respective special Shareholders' Meetings, which had been regularly convered, had not reached the quorums required by the law.

They will remain in office for two years with annual remuneration of Euro 5,000 for each of these years.

The overall 345,506,670 existing ordinary shares represent 87.33% of the share capital and do not entail rights different or additional to those envisaged by the legislation and the By-laws.

Each share carries unrestricted voting rights (1 vote per share) unless otherwise provided by law. Votes may be cast by mail in accordance with the procedure pursuant to article 11 of the By-laws.

Similarly, the overall 50,109,818 existing savings shares represent 12.67% of the share capital and do not entail rights different or additional to those envisaged by the legislation and the By-laws.

The rights of the Holders of Savings Shares are listed in articles 145 et seq. of the TUF and articles 5, 8 and 29 of the By-laws. Their Common Representative who is entitled to participate with the right to intervene in the ordinary Shareholders' Meeting whose rights are indicated under article 27 of the By-laws, is Pietro Greco, attorney at law, who was appointed for 2012/2014 by the special meeting of holders of savings shares which was held on 27 June 2012.

The savings shares confer the following privileges:

- the right to a preferred dividend up to a maximum of Euro 0.07241 per share per annum subject to the right to other dividends increased by Euro 0.020722 per share compared to ordinary shares. This, however, is without prejudice to the prorated increase in the preferred dividend in each of the two years following the payment of a preferred dividend of less than Euro 0.07241 per share per annum;
- in the event the Company is wound up, a preferred right to the liquidation proceeds of Euro 1.001 per share.

The Extraordinary Shareholders' Meeting held on 2 December 2009 also resolved to authorise the Board of Directors, in accordance with article 2443 of the Italian Civil Code, to a share capital increase in one or more tranches for a maximum amount of Euro 15 million, including any premium, maximum through the issue of 31,000,000 ordinary shares reserved for beneficiaries of the Stock Option Plan (Executive Directors and Group or Company Executives) as approved in the ordinary session of the same meeting in accordance with the second point of article 2441, paragraph 4 of the Italian Civil Code.

The Shareholders' Meeting also resolved to determine the issue price as the arithmetic mean of the official closing prices of ordinary shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana SpA (hereinafter the "**MTA**") during the period between the option grant date and the same date of the preceding calendar month with all powers by the Directors to determine, from time to time, the exact number of ordinary shares to be issued in view of the Plan, the exact issue price including any premium as well as the methods, terms and timing of the capital increase.

This resolution was partially executed by the Board of Directors, after the deadlines set by the Shareholders' Meeting of 2 December 2009 had expired; once on 7 October 2010 and then on 19 December 2012, thereby almost entirely executing the Stock Option Plan approved by the Shareholders' Meeting.

The "2010-2015 Intek Group SpA Stock Option Plan" (hereinafter the "Plan") replaces the previous plan, which was amended in 2006, which, in light of the Group's new ownership/organisational structure, was withdrawn at the same time; further details on the Plan are given in the Report on Remuneration and in the "Documento Informativo" which was prepared at the time and is available on the Company's website (www.itkgroup.it).

The share capital increase in view of the Plan, with regard to the part approved on 7 October 2009, envisages the issue of a maximum of 25,500,000 INTEK Group ordinary shares, with dividend rights, at a subscription price of Euro 0.295 per share, for a maximum overall amount of Euro 7,522,500.00, excluding the option right pursuant to article 2441, paragraph 4, second point, of the Italian Civil Code.

The further share capital increase in view of the Plan, with regard to the part approved on 19 December 2012, envisages the issue of a maximum of 3,500,000 Intek Group ordinary shares, with dividend rights, at a subscription price of Euro 0.326 per share, for a maximum overall amount of Euro 1,141,000.00, excluding the option right pursuant to article 2441, paragraph 4, second point, of the Italian Civil Code.

As required by the aforementioned provision, the independent auditors, KPMG SpA, issued for both transactions a specific report on the correlation to the market value of the issue price of the new shares.

Any exercise of the options that were provided under the Stock Option Plan could give rise to a change in the share capital on a monthly basis. Any change in the composition of share capital is disclosed to the market by Stock Exchange Notice (please see the section below on the "processing of company information" for details of the "SDIR" system) and also made available on a special page of **www.itkgroup.it.**

It is hereby noted that, on 24 January 2012, Quattrotretre SpA (hereinafter "Quattrotretre"), company merged by iNTEK before the merger into Intek Group, issued a mandatory convertible bond, the subscription of which was entirely reserved for the controlling shareholder Quattroduedue SpA, named "Convertendo Quattrotretre SpA 2012–*-2017*", the overall par value of which was equal to Euro 32,004,000.00. It is composed of 4,000 bonds of a par value of Euro 8,001.00 each, subscribed at an issue price equal to Euro 6,000.00 per bond.

Pursuant to the Regulation of the aforementioned convertible bond:

- the convertible bonds will be automatically converted (*conversion into shares*) on the expiry date (which corresponds to the sixty eighth month from the issue date of the convertible bond, that is 24 September 2017) into 900,000 newly issued ordinary issuer shares with a par value of Euro 1.00 each, with a conversion ratio of 225 conversion shares for each convertible bond, without prejudice to the repayment option as described below;
- in view of the convertible bond, the issuer has resolved to increase the share capital up to a maximum amount of Euro 32,004,000.00 (including the premium), through the issue of a maximum of 900,000 ordinary shares with a par value of Euro 1.00 each and a premium equal to Euro 34.56 per share;
- the issuer will be entitled to repay the convertible bonds on the expiry date in cash, informing the Bondholder within sixty working days prior to the maturity date (*repayment option)*, upon obtaining from the Company's Shareholders' Meeting the authorisation pursuant to article 2364, paragraph 1, number 5 of the Italian Civil Code, approved also with the favourable vote of the majority of the issuer's shareholders present in the Meeting, other than the Shareholder or Shareholders that hold, including jointly, the majority equity investment, even if relative, provided it is more than 10%;
- in the event that it exercises the repayment option, on the expiry date the issuer will pay the Bondholder Euro 8,001.00 for each convertible bond (*repayment price*), for a total of Euro 32,004,000.00.

Following the entry into effect on 30 November 2012 of the merger of Quattrotretre into iNTEk SpA, the latter will replace Quattrotretre as the issuer of the convertible bond, which will consequently be renamed "Convertendo Intek SpA 2012-2017" and starting from the effective date of the Merger, Intek Group SpA in turn replaced iNTEk SpA as the issuer of the aforementioned convertible bond, which was thus named "Convertendo Intek Group SpA 2012-2017".

In application of the exchange ratio applied to the iNTEk merger of 1 Quattrotretre SpA share for each 27.49 iNTEk SpA ordinary shares, iNTEk SpA took on the obligation to issue up to a maximum of 24,741,000 ordinary shares in favour of Quattroduedue SpA for a maximum value of Euro 32,004,000.00 (including the share premium) to be executed by 24 September 2017.

Subsequently, on the occasion of the Merger (which, it is reminded, became effective from 23:59 of 30 November 2012), in application of the exchange ratio of 1.15 KME Group SpA shares for each iNTEk SpA ordinary share, a total of 28,452,150 new ordinary Intek Group SpA shares were reserved to Quattroduedue SpA, for a maximum value of Euro 32,004,000.00 (including the share premium) to be executed by 24 September 2017.

It is furthermore also noted that on 23 December 2013 the parent Quattroduedue SpA granted to FEB –Ernesto Breda SpA, a company which is a subsidiary of the Intek Group, 526 "*Convertendo Intek Group SpA 2012-2017*" bonds, or 13.15% of the total bonds issued.

On 6 February 2014, the Extraordinary Shareholders' Meeting of the Intek Group appointed as the common representative of the convertible bondholders Elena Pagliarani, attorney at law, who will remain in office for a three-year period and therefore until the date of the Shareholders' Meeting called for the approval of the financial statements as at and for the year ended 31 December 2016. She will also receive remuneration of Euro 5000 annually.

Following are two tables, the first showing details of the financial instruments issued by the Company and the second showing their performance on the Stock Exchange during the period, highlighting their market capitalisation.

In this regard, it should be noted that a specific section of the website **www.itkgroup.it** is dedicated to financial instruments and their listing and is continually updated, thus showing the real-time trend in trading.

TABLE 1: INFORMATION ON THE STRUCTURE OF SHARE CAPITAL AND ON FINANCIAL INSTRUMENTS

STRUCTURE OF SHARE CAPITAL			
	ISIN Code	no. of shares	% of total share capital
Ordinary shares	IT0004552359	345,506,670	87.33
Bearer savings shares Registered savings shares	IT0004552367 IT0004552375	50,109,818	12.67

OTHER FINANCIAL INSTRUMENTS		
	ISIN Code	No. of outstanding instruments
Intek Group SpA 2012-2017 participatory debt financial instruments	IT0004821846	115,863,263
Intek Group SpA 8% 2012 -2017 Bonds	IT0004821689	22,655,247

TABLE 2 : PERFORMANCE OF SECURITIES IN 2013

Investor Relations

Tel.: 02-806291; 055-44111

Fax: 055-4411681

E-mail: info@kme.com

Website: www.itkgroup.it

Intek Group SpA has been listed on the exchange since 1897.

During 2013, the Intek Group shares underwent the following changes:

- **the ordinary Intek Group share** had a maximum price of Euro 0.370 in the month of January and a minimum rate of Euro 0.267 in July and August;
- **the Intek Group saving share** had a maximum price of Euro 0.461 in November and the minimum price of 0.310 in July;
- **the Intek Group bonds 2012-2017** had a maximum price of 108.66 in November and a minimum price of 102.21 in June;
- **the Intek Group SFPs 2012-2017** had a maximum price of 107.60 in November and a minimum price of 102.28 in June;

(in Euro) –	
No. of ordinary shares	345,506,670
No. of savings shares	50,109,818
Share capital	314,225,009.80
No of INTEK Group SpA 2012-2017 Bonds – 8%	22,655,247
No of INTEK Group SpA 2012-2017 PFIs – 8%	115,863,263
Listed price (at the end of 2012)	
INTEK Group's ordinary shares	0.318
INTEK Group's savings shares	0.412
No of INTEK Group SpA 2012-2017 Bonds – 8%	106.80
No of INTEK Group SpA 2012-2017 PFIs – 8%	107.00
(Amounts in Euro – capitalisation at the end of 2012)	
Capitalisation of ordinary shares	109,871,121
Capitalisation of savings shares	20,645,245
Total capitalisation	**130,516,366**
Shareholders	
Number of ordinary shareholders	**11,713**
Main ordinary shareholders (1)	
Quattroduedue B.V. (2)	45.75%
Baggi Sisini Francesco (3)	4.84%

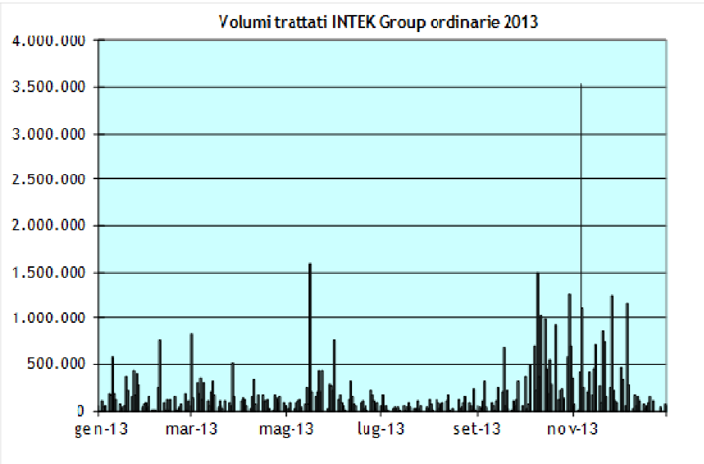
(1) – No other shareholder declared possessing more than 2% of ordinary shares.

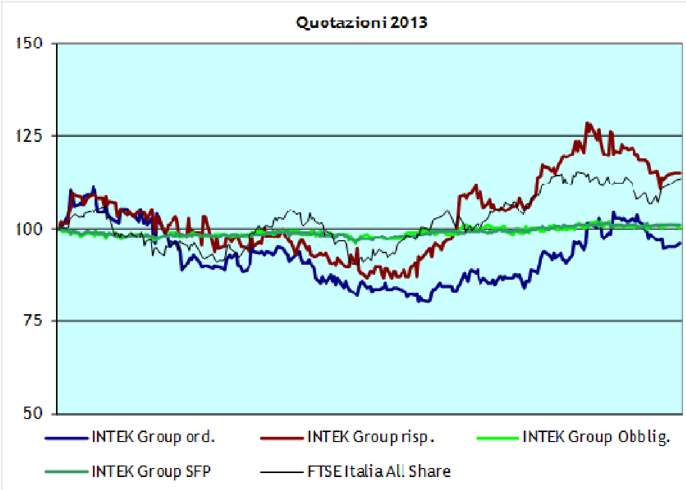
(2) – Indirectly owned through subsidiaries Quattroduedue SpA

(3) – As a subject indirectly controlling Arbus S.r.l., INTEK Group SpA's direct shareholder.

Dividend per share (amounts in Euro)	**2011**	**2012**
Dividend per ordinary share	0.00	0.00
Dividend per savings share	0.00	0.00

Stock Exchange prices (in Euro)	**End 2012**	**End 2013**	**Change**
INTEK Group's ord. shares	0.332	0.318	-4.2%
INTEK Group's sav. shares	0.351	0.412	17.4%
INTEK Group SpA 2012-2017 Bonds – 8%	105,000	106,800	1.7%
INTEK Group SpA 2012-2017 PFIs – 8%	104,300	107,000	2.6%
FTSE Italia All Share	17,175	20,204	17.6%





2. Restrictions on the transfer of securities

The By-laws do not contain transfer restrictions pertaining to shares or the “Intek Group SpA 2012-2017 bonds” such as, for example, limitations on the ownership of securities or the need to obtain the approval of the Issuer or other holders of securities,

3. Significant equity investments

On 31 December 2013, and unchanged at the date of this report, the investment of Quattroduedue Holding B.V. in the Company is 158,067,506 ordinary shares, corresponding to 45.749% of the share category for this category. This investment is held through the wholly owned subsidiary Quattroduedue SpA insofar as 158,067,500 ordinary shares while the remaining six ordinary shares which obviously do not affect the percentage above, are directly owned by Quattroduedue Holding B.V.

With regard to the entire share capital, the overall ownership of the ordinary shares by Quattroduedue Holding B.V. is equal to 39.965%.

As per the memorandum issued on 2 July 2013, the content of which was published on the same date, and submitted to the Milan Company Register, the shareholders of Quattroduedue Holding B.V. are Vincenzo Manes, through Mapa S.r.L. (Milan) with a investment of 35.12%, Ruggero Magnoni through Likipi Holding S.A. (Luxembourg) with a investment of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg), with a investment of 32.44%. Neither of the shareholders, all of whom participate in a shareholders' agreement regarding their investments in Quattroduedue Holding B.V., which expires 30 June 2016, hold the control of this company or of iNTEk pursuant to article 93 of the TUF.

According to the information available to the Company from the Shareholders’ Register, the only other Shareholder owning over 2% of the share capital is Francesco Baggi Sisini, through the subsidiary Arbus S.r.L., with 4.837%.

It is hereby noted that, with the disclosure dated 8 March 2013, issued by the law firm Baker & McKenzie, the latter declared, on behalf and in the name of Dimensional Fund Advisors L.P., that it wishes to exercise the exemption pursuant to article 119-*bis*, paragraphs 7 and 8 of the Issuers’ Regulation, for this type of Entity referring to equity investments managed, which exceed 2% but are lower than 5%.

The Company has about 11,700 Shareholders, according to the Shareholders’ Register.

As at 31 December 2013, the company held 6,230,691 ordinary shares of Intek Group, equal to 1.80% of the share capital for this category. The shares originated from the exercise of the right of withdrawal which took place at the end of 2012 by the shareholders of the merged company iNTEk.

Following the disposals which took place in the initial months of 2014, the ordinary shares of Intek Group held by the company decreased to 5,095,746 shares, equal to 1.47% of the share capital for this category.

4. Securities with special control rights

No securities have been issued conferring special control rights.

5. Employee share-option scheme, mechanism for the exercise of voting rights

There is no employee share-option scheme.

6. Restrictions on voting rights

Without prejudice to applicable regulations and the provisions of the By-laws, there are no restrictions on voting rights. Each share carries one voting right (article 11 of the By-laws).

In that connection, the Shareholders’ Meeting of 19 May 2006 resolved to amend article 4 of the Company By-laws in order to allow the Shareholders to authorise a share capital increase of up to 10% of the existing share capital without option rights pursuant to article 2441, paragraph 4, second point, of the Italian Civil Code.

Furthermore, article 287 of the By-laws provides that a resolution to extend the duration of the Company (currently 31 December 2050) gives no withdrawal right pursuant to article 2437 of the Italian Civil Code.

7. Shareholders’ agreements

The Company did not receive any communication regarding the existence of shareholders' agreements pursuant to article 122 of the TUF, except as indicated above regarding the agreement existing between the shareholders of Quattroduedue Holding B.V., which expires 30 June 2016 and is published on the company's website www.itkgroup.it.

8. “Change of control” clauses and provisions of the By-laws regarding takeover bids

Neither the Company nor its subsidiaries have entered into arrangements the effectiveness, amendment or termination of which are conditional to a change in the control of the Company.

The Company did not adopt any provisions in its By-laws that depart from the provisions of the passivity rule pursuant to article 104, paragraph I and II of the TUF, nor provide for application of the neutralisation rules pursuant to the following article 104 *bis*, paragraph II and III of the TUF in regard to takeover bids or exchanges.

9. Delegated powers regarding share capital increases and the purchase of treasury shares

The Board of Directors was not assigned any powers pursuant to article 2443 of the Italian Civil Code, except for the already mentioned power attributed to the directors by the extraordinary Shareholders’ Meeting held on 2 December 2009 to increase the share capital within five years of this meeting by a maximum amount of Euro 15 million for the issuing of a maximum number of 31,000,000 ordinary shares, with exclusion of the purchase option pursuant to article 2441, paragraph 4, second point of the Civil Code. The shares service the stock option plan which was approved by the same ordinary Shareholders’ Meeting held on 2 December 2009, for the executive directors and managers of the Company and the Group; this power was partially used as described in paragraph 2.1 above.

Further details can be found in the above-mentioned Report on Remuneration.

The Shareholders’ Meeting held on 30 April 2013 attributed to the Board of Directors an authorisation pursuant to the combined provision of articles 2357 and 2357 ter of the Civil Code, and also of article 132 of Legislative Decree 58/98 to purchase, for a period of 18 months beginning from 30 April 2013, and dispose of, without time limits, ordinary shares and saving shares pursuant to the law and the regulation.

As part of the right of withdrawal accorded to the iNTEk shareholders in regard to the merger, ordinary and saving shares of the merged company iNTEk were purchased as follows: on 31 December 2013, these holdings were 6,230,691 ordinary shares (equal to 1.803% of the total category and 1.575% of the entire share capital) and 3,490,567 saving shares (equal to 6.966% of the total category and 0.882% of the overall share capital), including the 2,512,024 shares of the same category held by the subsidiary KME Partecipazioni SpA as indicated below. The total 9,721,258 treasury shares held at 31 December 2013 represented 2.457% of the total share capital.

During the first quarter of 2014, the company sold 1,134,945 ordinary shares reducing its owns ordinary shares to 5,095,746 shares or 1.47% of the share capital for this category and 1.288% of the total share capital.

It is hereby noted that 2,512,024 saving shares of the company held by the subsidiary KME Partecipazioni (equal to 5.013% of the category) resulted from the exchange made on the occasion of the merger in relation to the 2,184,369 iNTEk saving shares already held by KME Partecipazioni SpA at 31 December 2011.

None of the other subsidiaries holds Intek Group SpA shares.

10. Management and coordination activity

Though the Company is controlled by Quattroduedue Holding B.V., as indicated above, it considers itself not to be subject to the management and coordination of the latter as provided by articles 2497 et seq. of the Italian Civil Code and article 37 of the CONSOB Regulation no. 16191 of 29 October 2007 (hereinafter the “Market Regulation”), as:

a) it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;

b) it does not participate in any centralised treasury arrangements operated by Quattroduedue Holding B.V. or other companies controlling Quattroduedue Holding B.V. or Intek Group SpA;

c) the number of independent Directors (currently 5 out of 10) is such as to ensure that their opinions have a material influence on Board decisions;

d) the Control and Risks Committee consists exclusively of Independent Directors pursuant to article 37, paragraph 1 bis of the Market Regulation.

11. Shareholders’ agreements of investees

ErgyCapital SpA

As far as companies which are not part of the copper sector are concerned, it is noted that there is a shareholders’ agreement between KME Partecipazioni SpA (which replaced Intek Group SpA) and Aledia SpA (hereinafter “**Aledia**”), which is significant pursuant to article 122 of the TUF, on the ordinary shares of the investee ErgyCapital SpA and which had originally been concluded on 10 December 2007 between iNTEk SpA and Aledia and subsequently amended and supplemented on 25 February 2010. Then it was further amended following the 2010 Demerger and the transfer of the Equity Investments to KME Partecipazioni SpA in 2011.

The agreement contains provisions regarding the consultation obligation, vote syndication obligation, restrictions on the transfer of financial instruments, thereby requiring joint exercise of a dominant influence, pursuant to article 122, par. 1 and par. 5 a), b) and d) of the TUF.

This agreement covers 39,328,835 ordinary shares of ErgyCapital SpA, or 23.55% of the share capital, of which 25,412,895 shares, or 15.22% of the share capital, are held through KME Partecipazioni S.r.l. and 13,915,940 shares, or 8.33% of the share capital, by Aledia.

We hereby reiterate that in August 2013 the share capital injection were concluded for ErgyCapital; on this occasion the number of shares granted to the agreement as a whole and individually was not changed, while there were changes to the respective percentages, which we reiterate were in total equal to 41.47% and individually equal to 26.80% and 14.67%.

Subsequently, on 21 October 2013 the expiration of the shareholders' agreement was extended to 21 January 2015, attributing to each party the right to withdraw from the agreement with notification provided in writing at least 15 days before, beginning from 15 April 2014, with the other terms and conditions remaining unchanged. The shareholders' agreement will therefore expire on 21 January 2015 (or, where exercised, on the effective date of the right to withdraw), without possibility of tacit renewal and each of its provisions shall be considered fully valid and effective until that date.

CONSOB was notified of the agreements and the amendments, which were filed with the Rome Company Register.

The extract of the shareholders' agreement has been submitted and is available to the public on the company's website www.ergycapital.com under the section Governance/Shareholders' Agreement and from Borsa Italiana SpA and at the registered offices of the company.

By virtue of the shareholders' agreement, KME Partecipazioni SpA and Aledia jointly exercise dominant influence over ErgyCapital operations, although neither of them has the power to exercise individual control over the company pursuant to article 93 of the TUF.

Cobra Automotive Technologies SpA

In 2011 there was a merger between Drive Rent SpA and Cobra Automotive Technologies SpA, (hereinafter "**Cobra AT**") a company incorporated and existing under the laws of Italy, listed on the Mercato Telematico Azionario (Electronic Stock Market, hereinafter "**M.T.A.**"), which operates in the integrated security service sector for the prevention and management of vehicle associated risk, resulting in Intek Group becoming the major shareholder with 42.68%. This equity investment then increased to 51.589% following subscriptions and the share capital increase of Cobra AT which was concluded in January 2012.

A significant " Shareholders' Agreement" was signed between the company and another major shareholder of Cobra AT, Cobra SM SpA (the new name of Cobra Automotive Technologies S.A. as from 23 July 2013), pursuant to article 122 of the TUF referring to the objectives pursued by the merger and therefore the creation of better conditions under which to maximize the potential of Cobra AT for growth and enhancement.

Possession through KME Partecipazioni of the majority of the voting rights which can be exercised in the ordinary Shareholders' Meeting of Cobra AT does not however result in control over the latter, since there exist statutory and contractual provisions "weakening" the majority investment and making it impossible to set the financial and operating policies of this company.

CONSOB was notified of the agreements and the amendments, which were filed with the Varese Company Register.

The extract of the shareholders' agreement has been submitted and is available to the public on the company's website www.cobra-group.com under the section Governance/Shareholders' Agreement and from Borsa Italiana SpA and at the registered offices of the company.

3. Compliance (pursuant to article 123-bis, paragraph 2, letter a) TUF)

Intek complies with the Corporate Governance Code by promoting the introduction of the relative principles in its own governance system, taking into account the peculiarities of its own structure.

If the standards and application criteria of the Code have not been completely adopted, proper information will be provided on the reasons for the failure to apply it or their partial application.

The text of the Corporate Governance Code is available at Borsa Italiana SpA and can also be viewed at: www.borsaitaliana.it (section: "Rules – Corporate Governance").

As required by article 149, paragraph 1, letter c.*bis* of the TUF, the Board of Statutory Auditors monitors the actual implementation of the rules on corporate governance contained in the Code.

Each year, the company provides information on its governance system and its adherence to the Code of Conduct through this report, drafted also pursuant to art. 123-bis of the TUF, which shows the degree of compliance with the principles and the application criteria required by the Code and international best practices.

The Report is made available to the shareholders with the documentation provided to the Shareholders' Meeting regarding the financial statements and it is also immediately published on the company's website (www.itkgroup.it) under the section "Governance/Relation on Corporate Governance").

The Committees established within the Board of Directors (see paragraphs 7, 8 and 10 of this report) pursuant to the Code, meet and perform the functions according to the provisions of this Code.

Examination of the company's governance structure, as outlined by the By-laws, from the procedures adopted an as illustrated in this report, shows the commitment of the Intek Group to comply with commonly shared best practices.

Neither the company nor its strategically relevant subsidiaries are subject to provisions of laws which are not Italian which affect the structure of iNTEk's corporate governance.

4. Board of Directors

4.1 Appointment and replacement of Directors

The requirements for the appointment and replacement of members of the Board of Directors are those pursuant to applicable laws as supplemented by the Company By-laws (article 17) Please note that these provisions were subject to amendments in 2010 and 2011 in accordance with the so-called "shareholders' rights directive".

Directors' terms may not be longer than three years and they may be re-elected (article 17 of the By-laws).

Upon presentation of a candidate for the position of Director, the candidate's *curriculum vitae* and a list of the positions held by the candidate at other Companies as director or statutory auditor are provided to the Shareholders' Meeting.

The number of Directors may vary between a minimum of ten and a maximum of thirteen.

The procedure pursuant to article 17 of the By-laws requires that:

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders' Meeting, so that they are available at least 21 days beforehand at the registered offices, on the Company's website and through Borsa Italiana SpA;
- the shareholding percentage interest required for presentation of lists be equal to the highest level identified between the level indicated pursuant to article 147 ter, par. 1 of the TUF and the level defined by Consob. To this end, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its resolution no. 18452 of 30 January 2013;
- when counting votes, the lists which have not obtained a percentage of votes equal at least to one half of the percentage required to submit a list, shall be ignored;
- one Director shall be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list shall indicate the candidates to the office as "Independent Directors" and article 17 of the By-laws provides that they are at least equal to the "minimum number and meet the conditions required by law";
- the prerequisite for Directors to be considered as independent shall be assessed pursuant to article 148, paragraph 3 of the TUF as well as, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Corporate Governance Code.

If during the year one or more directors are no longer in office, provided the majority of the directors is still composed of directors appointed by the Shareholders' Meeting, pursuant to article 2386 of the Civil Code, the procedures to be followed will be the following:

a) the Board of Directors will replace the departing director from the same list the latter director belonged to, without restrictions in regard to the listing position and the subsequent shareholders meeting will make a resolution, with the majority set by the law, in compliance with this criterion as well;

b) if no other candidate is listed in the above list, or no other candidates with the required requisites are available, or in any case when, for any reason whatsoever, it is not possible to comply with the provisions set out in item a), the Board of Directors shall replace the vacancy, and the General Meeting shall decide with the majority of votes set forth by law, without a list vote.

In any case, the Board and the Shareholders' Meeting that will make the appointments so as to ensure that the number of independent directors is at least at the minimum level required by the laws which are from time to time applicable.

It is hereby specified that holders of SFP have the right to appoint a member of the Board of Directors, who shall possess the independence requirements pursuant to article 148, paragraph III of the TUF (article 26 *quinquies* of the By-laws – Administrative Rights).

The entire procedure for the appointment of Directors is set forth in article 17 of the By-laws and is also available in a dedicated section of the website www.itkgroup.it.

Succession planning (criterion 5, chapter 2 of the Code).

The company has not adopted succession plans for its executive directors, neither has it considered it necessary due to the composition of the shareholder base and the structure of the powers granted. Insofar as the guidelines to the shareholders regarding the professionals that must be present on the board it has been considered that the composition, experience and attention of the controlling shareholders of the company do not require the formulation of said guidelines on aspects which these shareholders are completely aware of.

4.2 Composition of the Board of Directors

The current Board of Directors was appointed by the Shareholders' Meeting on 28 June 2012 which decided on ten (10) members of the administrative body (the By-laws provide for a variable number of directors, the minimum being 10 and the maximum 13).

The term of office is 3 financial years and therefore up to the date of the Shareholders' Meeting convened for approval of the financial statements at 31 December 2014.

The list of candidates for the office of Director was presented on time by the then controlling Shareholder, Quattrotretre SpA (holding 29.66% of ordinary capital) in compliance with the procedure required by article 17 of the Company By-laws. The majority of Shareholders approved Quattrotretre's nominees with 46.636% of voting shares in attendance.

No Director was, consequently, appointed from a non-controlling Shareholder list.

It is hereby noted that the Shareholders' Meeting of 30 April 2013 appointed Franco Spalla as an independent director and James Macdonald in replacement of the departing directors Italo Romano and Riccardo Garrè and Luca Ricciardi who was an independent director representing the holders of the SFP.

On 14 May 2013, following the resignation of Giancarlo Losi, pursuant to article 2386 of the Italian Civil Code the Board of Directors coopted Ruggero Magnoni who will remain in office until the next Shareholders' Meeting.

On the date of this report, 10 directors are in office as reported herein, with indication of their duties within the committees established, together with a brief curriculum vitae.

This information is also available in the specific section of the website www.itkgroup.it.

Please see Table 3 for the Structure of the Board of Directors and its Committees.

When the Directors and Statutory Auditors currently in office were appointed, there were no "gender quotas" yet in place for administration and control bodies. These provisions are contained in Law no. 120 of 12 July 2011 and shall apply as from the next change of the administration and control bodies starting from August 2012. The subject is also dealt with by article 144-*undecies* of the Issuers' Regulations.

Among the Directors we note the continuous presence since 2005 of a single woman who was the Deputy Chairwoman during 2010. This representation is also ensured for the Board of Statutory Auditors by a standing auditor appointed on the occasion of the renewal of the corporate offices in 2012.

The names of Directors usually appear at the beginning of the documents prepared for Shareholders' Meetings and in the annual and interim financial statements.

Following is the information relative to all the Directors that were in office during 2013.

Vincenzo Manes (Chairman)

Vincenzo Manes was born in 1960 and holds a degree in Economics and business. He is the Chairman of Intek Group SpA and I2 Capital Partners SGR and a Shareholder of Quattroduedue Holding B.V. in addition to being a member of the Supervisory Board.

He was Chairman of Aeroporto di Firenze S.p.A up to 29 April 2013

He joined the Board of Directors of Intek Group SpA on 14 February 2005 and was the Chairman and Managing Director of iNTEk SpA until the date of the Merger.

He is a member of the Supervisory Board of KME AG.

Diva Moriani (Deputy Chairwoman)

Ms. Diva Moriani who was born in 1968, holds a degree in Economics and business and joined iNTEk in 1999 and she was appointed a director of the company in 2002, she became Deputy Chairwoman in 2007 until the date of the merger. She is a director of I2 Capital Partners SGR SpA, a company of which she was the CEO until 1 December 2012, and she is also a director of Cobra Automotive Technology SpA and ErgyCapital SpA. In its meeting of 28 June 2012, the company's Board of Directors confirmed her appointment as the Deputy Chairwoman, granted for the first time in 2010, attributing executive powers to her. She joined the Board of Directors of Intek Group on 27 April 2005.

She is a member of the KME AG Vorstand and a member of the Supervisory Board of KME Germany GMBH.

Riccardo Garrè (left office on 30 April 2013)

Born in 1962, Riccardo Garrè holds a degree in Experimental Physics and joined the Group in 1988, initially managing a number of Italian Research Centre operations and then becoming the head of the Superconductors Division in 1992.

In 2000 he joined the Saint-Gobain Group as the Managing Director of Saint-Gobain Euroveder Italia, also becoming General Manager of the worldwide Tempered Glass Division for the household appliances market.

He was appointed as General Manager of Saint-Gobain Glass's Italian operations in 2003. He became the General Manager of Saint-Gobain Glass France in 2007.

In 2010 he returned to the KME Group as COO (Chief Operating Officer) of KME A.G.

He was appointed a director of the company by cooptation, pursuant to article 2386 of the Civil Code, and General Manager; on 22 March 2011 he took over the helm of the industrial business in the copper sector as the CEO of KME A.G. The subsequent Shareholders' Meeting held on 28 April 2011 confirmed his appointment as a director and the Board of Directors that met on that date confirmed his appointment as the General Director, which appointment was renewed in 2012.

Mr. Riccardo Garrè resigned from his office as Director and General Manager of the company effective from the Shareholders' Meeting held on 30 April 2013.

He maintains the office of Chief Operating Officer of KME A.G. of which he is also a Vorstand member.

Italo Romano (left office on 30 April 2013)

Italo Romano was born in 1958 and holds a degree in Economics and business. He joined the Group in 1988 with responsibilities in the administrative and controlling areas. In 2001 he was appointed Corporate Group Controller in charge of studying the restructuring of the entire IT and administrative sector of the Group. In 2004 he was appointed "Administration, Control & Corporate Plan" General Manager. In 2005 he was appointed as member of the Board of Directors of KME Italy SpA, and he later became the Chairman of this company. In the same year he joined the *Vorstand* of KME A.G. and assumed the role of CFO (Chief Financial Officer) of Intek Group. He was appointed Director with the resolution of the Shareholders' Meeting of 3 August 2007 and, on that date, the Board of Directors appointed him General Director, both offices were renewed in 2012.

Mr. Italo Romano resigned from his office the as Director and General Manager of the Company effective from the Shareholders' Meeting held on 30 April 2013.

He maintains the office of the CFO (Chief Financial Officer) of KME A.G. of which he is also a Vorstand member and he is a member of the Supervisory Board of KME Germany GMBH.

Mario d'Urso (independent)

Mario d'Urso was born in Naples in 1940 and holds a degree in Law. He has held positions in the finance sector and in the Government; indeed he was a Senator of the Republic and an under-secretary in one of the past governments.

He joined the Board of Directors of Intek Group on 14 February 2005.

Marcello Gallo

Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economy. He was the Deputy Chairman of iNTEk SpA after being the General Manager of said company from 1998 to 2003; he is a Board member of Subsidiaries and, in particular, he is the Managing Director of the subsidiary I2 Capital Partners SGR S.p.A and Chairman of the subsidiary FEB Ernesto Breda SpA

He joined the Board of Directors of Intek Group SpA on 14 February 2005.

He is a member of the Supervisory Board of KME AG and KME Germany GMBH.

Giuseppe Lignana (independent)

Giuseppe Lignana was born in 1937 and holds a degree in Electronic Engineering. He was the Managing Director of CEAT Cavi SpA and Director of Banca Commerciale Italiana SpA and SIRTI SpA He joined Cartiere Burgo SpA in 1984, where he served as General Manager, Managing Director and finally Chairman until 2004; he is currently Honorary Chairman.

He joined the Board of Directors on 12 January 2005.

Gian Carlo Losi (left office on 14 May 2013)

Gian Carlo Losi was born in 1947 and holds a degree in Economics and business. He joined the Group in 1973 after having been a university assistant in the Faculty of Business Economics at the University of Florence.

He has been an executive since 1977 and thereafter he was in charge of the Group's finance and control department while in 1990 he was appointed General Manager of G.I.M. - Generale Industrie Metallurgiche SpA after having been a Director and Statutory Auditor in Italian and foreign companies belonging to the Group. He is currently the Chairman and CEO of the subsidiary KME Partecipazioni SpA and a director at Ergycapital SpA.

Alberto Pirelli (independent)

Alberto Pirelli was born in 1954 and obtained a degree in Ichthyology and Aquaculture in the United States. He held operating positions in the Pirelli Group and is currently Deputy Chairman of Pirelli & C. SpA and of Pirelli Tyre SpA and a Director of Camfin SpA and of Nuove Partecipazioni SpA

He joined the Board of Directors on 27 October 2000.

James Macdonald

Born in 1951 he holds a degree from Eton college - Cambridge university.

He has been a member of the Board of Directors of Intek Spa from 1996 to 2012.

He hase been a director of Hamseatic Americas Ltd since 1993, Hanseatic Europe Sarl since 2001 and he has been a director of several funds for many years.

Ruggero Magnoni

Born in 1951 he has received his undergraduate degree from the Luigi Bocconi university and a master's degree from Columbia University.

During his professional career he has had held top level positions in major international financial institutions and particular he was the Vice Chairman of Lehman Brothers and the Chairman of Lehman Brothers International Italy. He is a director of Richemont SA, Omnia Invest SpA and is part of the Supervisory Board of Quattroduedue Holding BV, the company that controls Intek Group of which he is a shareholder.

Luca Ricciardi

Born in 1973, he received his degree in Economics and business from the University of Pisa. He worked for several years for Accenture, a strategic - organisational consulting firm.

From 2004 for he has been a management executive at the Liguria Region Health System. Since 2007 he has been in charge of the Budget Asl 5 Operating Area.

He has been an independent director and member of the Internal Control Committee of Intek SpA from 2011 to 2012.

He is a sessional professor of economics at the graduate course for health professions at the medical faculty of the University of Genoa.

He has been a director of Intek Group SpA since 30 April 2013.

Franco Spalla

Born in 1952, he received his degree in Economics and business from University of Turin.

He began his activity as a bank employee within the credit sector and has worked as a corporate consultant. From 1988 to 2001 he was the Managing Director of Fenera Holding SpA, a Turin based holding company and for 10 years he was an independent director and Chairman of the Internal Control Committee of Intek Spa. He has been a Director, member of the Remuneration Committee and Internal Control Committee of GIM - Generale Industrie Metallurgiche SpA.

He is the Managing Director of Basic Net SpA, a company listed on the MTA which is managed by Borsa Italiana.

He has been a director of Intek Group SpA since 30 April 2013.

A table showing positions as director or statutory auditor held by each of them at 31 December 2013 in other joint-stock companies, limited partnerships and private limited companies is set out below.

Name	Company	Position
Vincenzo Manes		
	Intek Group SpA (2)	Chairman of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR SpA (1)	Chairman of the Board of Directors
	Società Editoriale Vita SpA (2)	Member of the Board of Directors

	Fondazione Laureus Sport for Good Italia	Member of the Board of Directors
	Fondazione Vita	Member of the Board of Directors
	Uman Foundation	Supporting Partner
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Foundation “Seriuosfun Children’s Network” ”	Member of the Board of Directors
	Committee to Encourage Corporate Philanthropy	Member of the Board of Directors
	Associazione Palazzo Strozzi	Member of the Strategic Committee and Management Committee
	Comitato per la promozione del dono ONLUS	Founding member
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME A.G. (1)	Member of the Supervisory Board

Diva Moriani		
	Intek Group SpA (2)	Deputy Chairman of the Board of Directors
	ErgyCapital SpA (2)	Director
	I2 Capital Partners SGR SpA (1)	Director
	KME Germany GmbH (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	KME A.G. (1)	Member of the Board of Directors
	COBRA A.T. (2)	Member of the Board of Directors
	KME Srl (1)	Member of the Board of Directors

Mario d’Urso		
	Intek Group SpA (2)	Member of the Board of Directors
	Fondi Gabelli (Gamco Group)	Member of the Board of Directors
	Il Sole 24 Ore SpA (2)	Member of the Board of Directors
	Dynamo Camp	Member of the Board of Directors

Marcello Gallo		
	FEB - Ernesto Breda SpA (1)	Chairman
	Intek Group SpA (2)	Member of the Board of Directors
	I2 Capital Partners SGR SpA (1)	Managing Director
	FEB Investimenti S.r.l. (1)	Chairman
	ISNO 3 S.r.l.	Chairman
	ISNO 4 S.r.l.	Chairman
	FEI S.r.l.	Sole Director

	KME A.G. (1)	Member of the Supervisory Board
	Bredafin Innovazione SpA (in liquidation) (1)	Receiver
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	KME Germany GmbH (1)	Member of the Supervisory Board
	Nuovi Investimenti SpA;	Chairman

Riccardo Garrè (**)		
	KME Italy SpA(1)	Member of the Board of Directors
	KME Germany GmbH (1)	Member of the Supervisory Board
	KME A.G. (1)	Chairman of the Board of Directors

Giuseppe Lignana		
	Intek Group SpA (2)	Member of the Board of Directors

Gian Carlo Losi (****)		
	KME Partecipazioni SpA (1)	Chairman and CEO
	ErgyCapital SpA (2)	Member of the Board of Directors

James Macdonald **(*)**		
	Intek Group SpA (2)	Member of the Board of Directors
	Hanseatic Americas Ltd.	Director
	Hanseatic Europer Sarl	Manager
	Hansabay Pty. Ltd.	Director

Ruggero Magnoni **(***)**		
	APLOMB Srl	Member of the Board of Directors
	Intek Group SpA (2)	Member of the Board of Directors
	Omniainvest SpA	Member of the Board of Directors
	Raffaele CARUSO SpA	Member of the Board of Directors
	Compagnie Financiere Richemont SA	Member of the Board of Directors
	Compagnie Financiere Rupert	Member of the Board of Directors
	FIZZ Beverage Sarl	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	Fondaziome G. e M.C. Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia	Founding Member and Chairman and Managing Director
	IMMSI SpA	Member of the Board of Directors
	Istituto Javette Bocconi Manca di Villahermosa Ass."Amici della Bocconi"	Member of the Consulting Committee
	M&M Capital Ltd	Chairman
	Quattroduedue Holding BV	Supervisory Director
	Università Bocconi – Fondazione Partnership per Bocconi	Member of the Consulting Committee
	Trilantic Capital Partners Europe	Member of Advisory Council

Alberto Pirelli		
	Pirelli & C. SpA (2)	Deputy Chairman of the Board of Directors
	Intek Group SpA (2)	Member of the Board of Directors
	Turk-Pierlli Lastikleri A.S.	Deputy Chairman of the Board of Directors
	Fondazione Pirelli	Member of the Board of Directors
	Camfin SpA (2)	Member of the Board of Directors
	Pirelli Tyre SpA	Deputy Chairman of the Board of Directors
	Lauro Sessantuno SpA	Member of the Board of Directors
	Nuove Partecipazioni SpA	Member of the Board of Directors
	FIN.AP di Alberto Pirelli & C. S.a.p.a.	General Partner
	Alexandra Tire Company SAE	Director
	Celikord AS	Director

Luca Ricciardi **(*)**		
	Intek Group SpA (2)	Member of the Board of Directors

Italo Romano **(**)**		
	KME Italy SpA(1)	Chairman of the Board of Directors
	KME A.G. (1)	Member of the Management Board
	Editoriale Fiorentina Srl	Member of the Board of Directors
	KME Srl (1)	Managing Director

Franco Spalla **(*)**		
	BasicNet SpA (2)	Managing Director
	AnziBesson Trademark Srl	Managing Director
	Fashion SpA	Managing Director
	Jesus Jeans Srl	Managing Director
	Basic Italia SpA	Member of the Board of Directors
	BasicNet Asia Ltd	Chairman
	Basic Properties BV	Chairman
	Basic Properties America Inc.	Member of the Board of Directors
	Basic Trademark SA	Member of the Board of Directors
	Superga Trademark SA	Member of the Board of Directors
	Intek Group SpA (2)	Member of the Board of Directors

(1) company controlled by Intek Group SpA;

(2) company listed in a regulated market;

(*) in office from 30 April 2013;

(**) in office until 30 April 2013;

(***) in office from 14 May 2013;

(****) in office until al 14 May2013;

Directors are required to provide prompt notice in the event that they no longer meet the integrity requirements pursuant to article 147 *quinquies* of the TUF.

Furthermore, during 2013 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Legislative Decree 469 of 11 November 1998).

As far as the Company is aware, none of the members of the Board of Directors and/or Group kye management personnel have, in the past five years, been found guilty of fraud nor, in the performance of their duties, been associated with bankruptcy proceedings, extraordinary administration or compulsory administrative liquidation, nor, finally, have been formally indicted or sanctioned by public or regulatory authorities (including professional associations) nor prohibited by a court from membership of a Board of Directors, management board or supervisory board or engaging in the management of any issuer.

Maximum offices covered in other companies

The Board of Directors, in regard to:

- the personal and professional qualifications of its members;
- the number and significance of the offices listed above;

- the high participation of their own members in the meetings of the Board of Directors;
- considers that it shall not discretionally limit the number of offices that each director may occupy, subject to the rights afforded by the law and the regulations.

Induction Programme

In light of the skills and know-how and the adequate knowledge of the business segments in which the company operates, its corporate dynamics and the evolution, as well as the regulatory framework of reference, which the directors, after their appointment and in line with their mandate have proven to possess, the company did not consider it necessary to establish training programs for them.

4.3 Role of the Board of Directors

The Board of Directors has the widest powers for the organisation and management as well as the ordinary and extraordinary Company operations for the achievement of its corporate purpose (article 14 of the Company By-laws), it determines the strategic lines and pursues their achievement, guarantees the continuity of operations and provides for the attribution of powers to the executive directors (articles 15 and 16 of the By-laws).

The Board of Directors is also a vested with the power set forth under art. Article 2365, par. II of the Italian Civil Code, as provided by article 14 of the By-laws.

According to the new Code, one of the main objectives of the Board of Directors is to create value over the medium-long term, and places emphasis on its duty to establish the nature and level of risk that is consistent with the Company's strategic objectives.

During the Board meetings, detailed information is traditionally provided on the operations and transactions considered to be the most significant in order to disseminate knowledge to the Directors and Statutory Auditors.

During the Board of Directors meeting examining this Report, information is also provided on legislative and regulatory amendments that took place during the period which involved the company's governance.

The Board of Directors financial reporting responsibilities are to present:

- the separate and consolidated financial statements at 31 December;
- the interim financial statements at 30 June;
- quaterly reports at 31 March and 30 September.

During 2013, the Board of Directors met 4 times.

The average duration of the meetings of the Board of Directors was approximately 2 hours and thirty minutes.

In the year underway there have been two meetings of the Board of Directors and an additional three meetings are planned.

The Chairman of the Board of Directors has ensured that the documentation relative to the agenda items is provided to the Directors and the Statutory Auditors prior to each meeting, using e-mail and ensuring that the rules and procedures applicable to confidential documents and information are adhered to.

Company managers or professionals who have been hired to assist the company in specific matters or transactions may participate in the meetings of the Board, upon invitation of Chairman, in order to provide information as required on the agenda items.

The schedule of the Board meetings is announced to Borsa Italiana as soon as it becomes available, in any case no later than 31 January, and it is also available on the company's website www.itkgroup.it.

Pursuant to the By-laws (art. 20), the Chairman is the legal representative of the company, including insofar as representation in the courts, and also has corporate signing powers. The other Directors shall represent the Company to the extent permitted by the powers granted to them.

With regard to **Application Criterion 1.C.1.a)** of the Code, the Board is exclusively responsible for examining and approving strategic, business and financial plans and for the company's corporate governance system.

Intek Group exercises the management and coordination activities over certain of its subsidiaries and in particular over KME Partecipazioni, I2 Capital Partners SGR SpA, I2 Real Estate Srl, FEB – Ernesto Breda SpA as announced, by the directors of those companies, pursuant to article 2497 bis of the Italian Civil Code,.

Furthermore, the Board of Directors is exclusively in charge of attributing and revoking the powers to/from the executive directors.

With regard to **Application Criterion 1.C.1.d)** of the Code, the Board has determined the remuneration of the executive directors, after having secured the opinion of the Board of Statutory Auditors.

With regard to **Application Criterion 1.C.1.e)** of the Code, the Board assesses the general results of operations when it examines the periodic reports, taking into consideration in particular the information received from the authorised bodies.

With regard to **Application Criterion 1.C.1.f)** of the Code, it is hereby specified that the following duties are carried out exclusively by the Board:

- examination and approval of the company's transactions prior to implementation, when these transactions referred to equity investments, companies or business units with a value in excess of Euro 20 million;
- the subscription to bonds loan, including convertible bonds, issued by the company and/or national or foreign entities of an amount in excess of Euro 20 million;
- the examination and approval of the company transactions prior to implementation, when these are carried out with related parties; (i) which do not fall under transactions which are exempt from application of the specific procedure relative to transactions with related parties and (ii) of an amount in excess of Euro 5 million;
- the signing of contracts involving the exchange, purchase or sale, including through a contribution, of an amount in excess of Euro 30 million, for each individual transaction, involving securities and financial instruments of any type, which are listed and constitute financial assets, contracts for the sale or purchase of options relative to these securities of an amount in excess of Euro 30 million per individual transaction calculated on the principal of said transaction;
- the purchase, sale, exchange or contribution to companies or entities which are established or under establishment, of real estate of any type or nature, wherever it is located, the value of which exceeds Euro 20 million per deed.

It is hereby noted that the powers for amounts that are less than required for exclusive competence of the board to enter into effect are conferred upon the Chairman and the Deputy Chairwoman.

In order to review the organisational model pursuant to Legislative Decree 231/2001, and also upon the recommendation of the Control and Risks Committee and the support of adequate external professionals, the Board carried out during the year under review a risk assessment review with regard to the assets of the company and those of its subsidiaries, in regard to the changed framework of the business segments following the implementation of the merge.

This procedure did not bring to light any critical areas.

At the end of each six month period, the Board of Directors examines the report produced by the Control and Risks Committee containing the outcomes of the verifications produced by this committee and its opinion in regard to the adequacy of the company's internal control system.

On the occasion of its meeting of 28 April 2014, the Board of Directors examined the positive opinion expressed by the aforementioned committee in this regard.

Regarding **Application Criterion 1.C.1.g)** of the Code it is hereby noted that in its meeting of 28 April 2014, the Board carried out an assessment which had a positive outcome on the dimension, composition and operation of the Board itself and of its committees, in regard to the number of members of the Board and the executive directors, including also with regard to the membership portion represented by independent directors, for whom the independence requirement was ascertained, taking also into account the high level of their professional credentials.

For information on the remuneration policy adopted by the company and the remuneration received by the directors and the key management personnel, please see the specific report on remuneration which has been prepared pursuant to article 123-ter of the TUF and is available on the company's website (www.itkgroup.it) pursuant to the terms and conditions required by the law and the regulation.

With regard to conflicts of interests and related party transactions by the Company and the Group it heads, please see paragraph 12 below.

It is hereby noted that there are no resolutions of Shareholders' Meetings which provide for derogations to the non competition restriction applicable to directors pursuant to article 2390 of the Italian Civil Code.

4.4 Delegation of powers

Currently, the Board of Directors has appointed a Chairman (Vincenzo Manes) and a Deputy Chairwoman (Diva Moriani).

In consideration also of the fact that there is one controlling shareholder, as indicated also in another section of this report, no "Succession Plan" has been set up for the executive directors or the Board of Directors nor has the adoption of such a plan been contemplated as yet (article 5.C.1. of the Code).

Pursuant to article 20 of the Company By-laws, which you are referred to for further details, the Chairman is the legal representative of the Company and has full powers to represent the Company in dealings with third parties and in legal proceedings.

Pursuant to Art. 16 of the By-laws, the Deputy Chairwoman replaces the Chairman in his temporary absence and or impediment.

It should be noted that Mr. Manes was appointed as Chairman of the Board of Directors as from 14 September 2012, after the death of the former Chairman, and the following powers and capacities were conferred upon him:

- coordination and guidance of the activities of other executive directors;
- guidance, coordination and control of external communications including communications with Shareholders;
- in particular, including, but not limited to, and consistently with instructions and guidelines decided by the Board of Directors, the Chairman has powers relating to the management of the Company's administrative, financial, control, legal, tax, insurance, human resources and information technology affairs in addition to industrial and commercial matters and services. He has the powers to guide and coordinate all such activities for Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors.

In exercising such powers, the Chairman may determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact as sole or joint signatories in addition to the issue of orders and requirements for the Company organisation and operation. Such powers may be delegated with respect to amounts between Euro 5 million and Euro 30 million.

On 28 June 2012 the Board of Directors assigned to the Deputy Chairwoman Diva Moriani the powers for the management of the Company's administrative, financial, control, legal, tax, insurance and information technology affairs in addition to industrial and commercial matters and services and also human resources and internal communication; the Deputy Chairwoman has the powers to guide and coordinate all such activities for Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors and by the Chairman Vincenzo Manes.

In exercising such powers, the Deputy Chairwoman can determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact as sole or joint signatories in addition to the issue of orders and requirements for the Company organisation and operation.

Such powers may be delegated with respect to amounts between Euro 2 million and Euro 15 million.

The Board of Directors did not consider it necessary to establish an executive committee, conferring upon the Chairman Vincenzo Manes and the Deputy Chairwoman Diva Moriani the necessary powers.

4.5 Managers with powers

Powers of ordinary administration to be exercised by single signature for transactions up to Euro 100 thousand and Euro 500 thousand, and with joints signature for transactions of Euro 1 million were conferred upon the Manager of Legal And Corporate Affairs Roberto De Vitis and Administrative Director Giuseppe Mazza by the Chairman, on the basis of a special power of attorney dated 19 December 2012.

As specified in further detail in paragraph 12 on the section referring to transactions with related parties, the Board of Directors attributed to the Chairman and the Deputy Chairwoman specific powers in this regard.

It is hereby reiterated that each quarter, the executive directors are required to inform the Board of Directors and the Board of Statutory Auditors on the general results of operations and the business outlook as well as regarding the significant transactions carried out by the company and its subsidiaries.

As noted, these reports will help raise the level of awareness of the Directors and the Statutory Auditors of the situation of the company and its dynamics.

With regard to investments in other sectors, we hereby reiterate that as from 9 May 2013, Vincenzo Cannatelli, who was already the CEO of ErgyCapital, was appointed also as the Chairman of the Board of Directors of this company. Diva Moriani, Giancarlo Losi, Nicolò Dubini and Fabio Tomassini also sit in the Board of Directors, the last two as Independent Directors.

Diva Moriani sits in the Board of Directors of COBRA Automotive Technologies SpA. Serafino Memola (Chairman), Mario Rossetti (CEO) and the following independent directors Paolo Bonazzi, Angela Gamba and Giorgio Palli are also members of the Board of Directors of COBRA.

Also pursuant to article 147 ter paragraph 4 of the TUF and with reference to the provisions under articles 1 and 2 of the Code, the Board of Directors believes that its composition, both with respect to the number of its members and their professional skills, and also to the presence of five indipendent Directors (50% of its members currently in office) is appropriate for the size of the company and the problems to be handled. The same reasoning is also applicable to its internal Committees.

The Board of Directors also believes that the organisational, administrative and accounting structure of the Company and its strategically important subsidiaries are appropriate particularly as far as the internal control system and the management conflicts of interest are concerned.

The presence of executive Directors with specific, thorough, multidisciplinary professional experience in financial, industrial and administrative subjects means that all of the most important aspects of the Company's affairs are satisfactorily covered.

Non-executive Directors, in turn, make an important contribution to the Board of Directors and the Committees to which they belong in terms of their professionalism and experience.

4.6 Independent Directors

Pursuant to the "application criteria" set forth in articles 3.C.1. and 3.C.2. of the Corporate Governance Code and in compliance with articles 147-ter, paragraph 4, and 148, paragraph 3 of TUF and CONSOB communication DEM/9017893 of 26 February 2009, the Directors Mario d'Urso, Giuseppe Lignana, Franco Spalla, Luca Ricciardi and Alberto Pirelli confirmed that they continue to qualify as Independent Directors pursuant to the aforementioned provisions and both the Board of Directors and Statutory Auditors agree.

It is hereby noted that the assessment is made on the date of the respective appointments made by the Shareholders' Meetings and therefore repeated as part of the procedures for approval of the financial statements at 31 December 2013.

As required by article 3.C.6 of the Code, in December 2013 there was a meeting of the independent directors exclusively.

With regard to the criterion set forth under article 3.C.1. e) of the Corporate Governance Code, we hereby note that for directors Alberto Pirelli, Giuseppe Lignana and Mario d'Urso, who have been in office for a period in excess of nine years, the Board of Directors determined that they do possess the independence requirement due to their full autonomy insofar as the valuation and opinion, given also the high level of their professional credentials and independence.

4.7 Lead Independent Director

Article 2 of the Code, in paragraphs 2.C.3. and 2.C.4., underlined the importance of appointing a Lead Independent Director by the Board of Directors given the presence of particular situations relating to the control of the company and the powers attributed to the Chairman of the Board of Directors.

Concurrently, pursuant to the agreements within the shareholders of Quattroduedue Holding B.V., which were mentioned previously, it should be reminded that Mr. Manes is not a controlling shareholder of this company or therefore of Intek Group SpA.

Furthermore, the following elements must be considered:

- the distribution of the corporate offices between a chairman and an executive deputy chairman;
- the composition of the two Committees which have been formed exclusively by Independent Directors which can be convened and meet independently including outside the meetings of the Board of Directors.

Due to the above considerations, the Board of Directors did not consider it necessary to appoint a "lead independent director" to coordinate any requests and contributions from non-executive directors.

5. Processing of company information

In order to demonstrate that markets must be promptly, fully, adequately and not selectively notified of corporate actions, the Company adopted the “Code of Conduct regarding Information on Important Corporate Actions” in 2002 as recommended by the Corporate Governance Code and in compliance with the principles of Borsa Italiana’s guidelines for market information.

The subsequent innovations introduced into the section on corporate disclosures of the TUF, as well as by Consob at the regulatory level and therefore by Borsa Italiana SpA, required a review to be carried out in March and November of 2006 and again in November 2007. In particular, we reiterate the new formulation of article 114 of the TUF and, pursuant to the subsequent article 115-bis, the consequent identification of the “relevant parties” that have access to “privileged information” and the establishment of the relative registry beginning from 1 April 2006, in electronic form.

The procedure requires first and foremost that Directors and Statutory Auditors observe the confidentiality of privileged information which is also required of other persons with access to such information and ensuring that such information is only processed by persons aware of the nature and need for compliance and who have knowledge of the procedures required by CONSOB and Borsa Italiana SpA

As noted in the article 115 –*bis* of TUF, its application refers to the entities controlled by the listed issuer, and therefore excludes controlling entities.

On 14 September 2012 the Board of Directors decided to apply the exemption provided in articles 70, paragraph VIII, and 71-bis of the Issuers’ Regulation which gives the option for companies to be exempted from the obligation to disclose an Information Document in the event of significant mergers, demergers and share capital increases through contributions in kind, acquisitions and sales.

6. Committees within the Board of Directors

For the reasons set forth above and reiterated again in this report, the Company has not established committees with several functions. It is hereby noted that the independent directors, of whom there are 5 (of 10 members of the Board of Directors), meet at least once per year although a specific committee has not been established formally and they also meet to discuss transactions of particular significance whenever necessary.

The Control and Risks Committee is appointed by the Board of Directors and is responsible for the internal control system. The members of the Committee are the Directors Mario d’Urso (Chairman), Giuseppe Lignana and Luca Ricciardi, who was appointed as Director on 14 May 2013 and has replaced Alberto Pirelli who left.

All the three members are Non-Executive, Independent Directors with professional experience including accounting, finance and risk management matters deemed appropriate by the Board of Directors.

As already noted, the Control and Risks Committee oversees that the procedures regarding transactions with related parties comply with the relevant legislative and regulatory measures, as well as that they are fully observed in practice.

Further information regarding the Committee’s activities is contained in the section 10. The company also has a Remuneration Committee the composition and operation of which are described in the Report on Remuneration.

7. Appointments Committee

The Appointments Committee (as provided by article 5.P.1 of the Corporate Governance Code) has not been established since, pursuant to the provisions of the Corporate Governance Code under article 4.C.2., the Board of Directors has considered that the Independent Directors, equal to ½ members of the Board of Directors, have a significant level of autonomy and independence in decisions and have adequate knowledge of the structures of the Company and the Group.

As a result, the Board of Directors is of the opinion that:

- opinions on the size and composition of the Board of Directors;
- proposals for the appointment of candidates to the position of director if co-opting is necessary when replacing independent directors;
- preparation of a plan for the succession of executive directors;

can be discussed and decided within the meetings of the Board of Directors.

8. Remuneration Committee

The Remuneration Committee consists of Non-Executive and Independent Directors Alberto Pirelli (Chairman), Mario d'Urso and Giuseppe Lignana.

Please see the "Report on Remuneration" regarding any information on the operation and activities of this committee.

9. Remuneration of the Directors

For information on the remuneration policy adopted by the issuer and the remuneration received by the directors, please see the Report on Remuneration drafted pursuant to article 123-ter of the TUF and article 84-quarter of the issuers regulation which will be available on the company's website www.itkgroup.it within the time required by the law.

10. Control and Risk Committee

The Control and Risk Committee has been appointed by the Board of Directors and is responsible for the control system; its membership consists of Mario d'Urso (Chairman), Giuseppe Lignana and Luca Ricciardi; the latter was appointed by the Board of Directors on 14 May 2013 to replace the departing Alberto Pirelli.

All the three members are Non-Executive, Independent Directors with professional experience including accounting, finance and risk management matters appropriate deemed by the Board of Directors.

The Control and Risks Committee is responsible for setting the guidelines and areas of internal controls for the identification and management of the main risks to which the Company is exposed. It consequently:

- supports the Board of Directors in the performance of its duties with respect to internal control;
- assesses, together with the Manager in charge of financial reporting and the Independent Auditors, the correct application of accounting policies and their consistency for the purposes of preparing the consolidated financial statements;
- on request of the Executive Director responsible for the internal control system, it expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;

- examines the internal audit plans and the periodic reports prepared by internal control officers;
- assesses the independent audit plan, the findings reported and any letters of recommendations;
- oversees that the audit process is effective.

The Committee has access to the information required for its work and reports on its activities to the Board of Directors at least once every six months.

The Chairman Vincenzo Manes and the Board of Statutory Auditors are invited to its meetings.

The Committee met five times in 2013, compared to four in the previous year, and the participation of its members amounted to 100 %.

The Chairman of the Board of Statutory Auditors and the Standing Auditors participated in its meetings 4 times. Minutes are kept for the meetings.

It met just once in 2014; its upcoming meetings are not scheduled.

In compliance with article 8 of the Code, the Board of Directors believes that the Company's internal control system is adequate for the types of risks typical of the Company's business and is sufficient to safeguard the Company's assets, the efficiency and effectiveness of its operations, the reliability of financial disclosure and compliance with laws and regulations.

11. Control and Risk Management System

According to the Corporate Governance Code, the Control and Risk Management System (hereinafter the "CRMS") is a group of rules, procedures, and organisational structures aimed at identification, measurement, management and monitoring of the major corporate risks.

An effective CRMS contributes to the company management in compliance with the corporate objectives defined by the Board of Directors, promotes knowledgeable decision-making and helps in safeguarding the company assets, the effectiveness and efficacy of the corporate processes, the reliability of the corporate information and compliance with the laws, regulations and internal procedures.

To ensure compliance with article 123 *bis*, paragraph 2, letter b) regarding the reliability of separate and consolidated financial reporting, in December 2006, the Company had the internal audit department undertake a project under the supervision of the Control and Risks Committee and with the support of Ernst & Young, to examine the internal control system on the Group's financial reporting in order to ensure consistency with IFRS and compliance with the requirements of the "Law on Saving" 262/05. The project was fully completed and implementation verified for the 2008 financial statements.

The risk management system employed by Intek Group SpA in relation to financial reporting shall not be considered separately from its CRMS, which is part of the same system.

The purpose of the system is to assure the reliability, accuracy, and timeliness of financial reporting.

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice (Committee of Sponsoring Organisations of the Treadway Commission - COSO Report) that defines the CRMS as the combination of rules and procedures, techniques and tools used to manage the company to ensure the achievement of its objectives.

The principles which are followed, pursuant to the *COSO Report*, aim to ensure: a) efficiency and effectiveness of operations; b) accuracy of financial reporting and c) compliance with the laws and regulations.

The COSO Report also sets out the essential components of an effective CRMS:

- *control environment*: the basis of the CRMS characterised by the responsive attitude of the Company's management to procedures and structure (formalisation of roles, tasks, responsibilities, internal communication systems and the timeliness of information) consistent with corporate strategies and objectives;

- *risk assessment*: management's identification and analysis of risks involved in the achievement of predefined objectives as well as the determination of risk management methods;
- *control activities*: the methods, procedures and practices used to define and implement the controls for the purposes of mitigating risks and ensuring the achievement of targets set by management;
- *information and communication*: support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- *monitoring system*: the activity performed by various parties in the company for the ongoing control of the proper functioning of the CRMS in order to overcome critical contingencies and to provide for the maintenance, updating and improvement of the System.

Description of the key aspects of the existing Control and Risk Management System in relation to financial reporting

a) key aspects of the CRMS in relation to financial reporting

- Identification of financial reporting risks: Intek Group SpA has identified the units and processes at risk in terms of the potential impact on financial reporting in addition to the consequent risk of not achieving control objectives (e.g., the certifications of financial statements and other objectives concerning financial reporting). These risks relate to unintentional or fraudulent errors that are likely to have a significant impact on financial reporting.
- Assessment of financial reporting risks: Intek Group SpA has identified the key criteria to be used for the assessment of the previously identified risks inherent in financial reporting.
- Identification of controls addressing risks identified: Intek Group SpA collects data on the internal control system over financial reporting as actually implemented and the key characteristics of the controls identified aimed at mitigating financial reporting risks.
- Assessment of controls addressing the risks identified: Intek Group SpA assesses the key features of its monitoring process or the way in which controls over risks identified are periodically assessed (both in terms of purpose as well as effectiveness).

In order to ensure that the CRMS over financial reporting is highly reliable, the Company:

- implements and continually updates the administrative and accounting procedures (accounting policies, rules regarding the presentation of consolidated financial statements and interim reports, etc.) by which the Parent ensures that information is efficiently exchanged with subsidiaries under its direct coordination. Subsidiaries, moreover, prepare detailed operational instructions with respect to the Parent's guidelines;
- assesses, monitors and continually revises the CRMS over financial reporting taking a top-down risk-based approach consistent with the COSO Framework that focuses attention on the main and/or key risks, or on risks of unintentional or fraudulent errors in the financial statements and relevant notes and reports;
- classifies controls used in the Group under two main categories in accordance with best international practice:
  - *entity level control*, at group or individual subsidiary level (assignment of responsibilities, powers and mandates, separation of duties and assignment of privileges and rights to access IT applications);

- *process level control*, (authorisations, reconciliations, verifications of consistency, etc.) with respect to operational processes, closing the books and so-called “cross-segment” controls relating to the Group’s IT services.
  The controls can be either preventive or detective in nature, depending on whether they are intended to prevent or detect unintentional or fraudulent irregularities in the financial statements; and either manual or automatic such as the validations run by software supporting the business systems;

- has the effectiveness of the plan and implementation of controls verified through testing by internal audit of Intek Group SpA and dedicated units at subsidiary level using sampling techniques in accordance with best international practice;
- identifies any backup controls, remedies or improvement plans in the activities of control monitoring.

The findings are periodically examined by the Manager in charge of Financial Reporting and notified by him to Company Management and the Control and Risks Committee, which in turn reports to the Company’s Board of Directors and Statutory Auditors.

b) Roles and company units

Intek Group SpA clearly identifies roles and the units involved in the design, implementation, monitoring and revision of the CRMS particularly with respect to the officers involved (Manager in charge of Financial Reporting, Head of Internal Control, Process Owner, Control Owner, Testers) who directly report to the Manager in charge.

11.1 Executive director responsible for the internal control and management risk system

The Chairman, Vincenzo Manes, is responsible for overseeing the internal control system **(the “Overseeing Executive”).**

11.2 Head of Internal Control

The Head of Internal Control is responsible for internal controls as well as internal audit.

The appointment of the Head of Internal Control has been delegated by the Board of Directors to the Chairman to whom the Head reports on a constant basis without any established schedule. Organisationally, the Head of Internal Control is independent of all operational units and, in turn, has no operational responsibilities. He also reports to the Internal Control Committee and to the Board of Statutory Auditors.

His tasks are those pertaining to the internal auditing, thereby complying with the provisions of the new Corporate Governance Code.

The Head of Internal Control has direct access to all information required for the performance of his duties which are the verification and assessment of the adequacy and effectiveness of the Company’s internal control system and the compliance of the various company units’ operations with procedures, corporate policy, laws and regulations as may be in force from time to time, particularly with respect to the reliability and integrity of information processed, the safeguard of the Company’s assets and the adequacy and consistency of accounting policies for the purposes of presenting financial statements, to be carried out together with the Manager in charge of Financial Reporting.

As required under criterion 7.P.1 of the Code, the Board of Directors defines the guidelines for the internal control and risk management system, in such a manner as to ensure that the main risks to which the Company and its subsidiaries are exposed are correctly identified and monitored in accordance with sound management practices.

By virtue of the changed dimensions and structure of Intek Group and following the implementation of the merger and the emphasis placed on its operation as a holding company, the internal control department was reorganised and coordinated by the legal and corporate services director Roberto De Vitis in order to consider the eventual outsourcing this function, in line with the smaller dimensions of the operating structures.

In its meeting of 28 April 2014, and with the opinion in favour of the Control and Risk Committee, after having obtained the opinion of the Board of Statutory Auditors, the Board of Directors assigned the position of *Internal Auditor to* Giovanni Santoro of Crowe Horwath AS S.r.l.

11.3 Organisational model pursuant to Legislative Decree 231/2001

The Company has adopted the "Organisational and Management Model pursuant to Legislative Decree 231/01", which is updated in accordance with the amendments made to the relevant law over time.

The latest adjustment to the Model was made in November 2012, in order to include the new offences under the Legislative Decree.

A later version of the Model, adapted to the changed dimensions and range of group activities following the merger was approved by the Board of Directors on 28 April 2014.

The Company has established a new supervisory board composed of 2 external experts who, in addition to keeping the Model updated, interact with the other supervisory boards appointed by other companies in the Group, monitoring the effectiveness of the procedures adopted including through specific checks and investigations on the corporate areas considered to be more sensitive for the purposes of the Company's administrative liability.

11.4 Independent auditors

KPMG SpA has been appointed to perform the audit, pursuant to articles. 155 and following of the TUF, of the separate and consolidated financial statements as well as the interim separate and consolidated financial statements of INTEK Group SpA.

KPMG SpA is the "principal auditor". The current mandate was approved by Shareholders on 23 May 2007 at the recommendation of and for the reasons cited by the Board of Statutory Auditors, and will end with the financial statements as at and for the year ending 31 December 2015.

The person in charge of the mandate for the audit company is Mr. Piero Bianco who has held this position since 26 February 2013, for the audit of the year ended 31 December 2012. Article 17, paragraph IV of Legislative Decree 39 of 27 January 2010 (the **"Consolidated Audit Law")** sets the maximum duration for such an office at six fyears.

The total fees paid by the Company amount to Euro 142 thousand. The total fees paid at Group level were Euro 1,239 thousand. Please refer to the notes to the separate financial statements for further information.

During the year the audit firm and companies belonging to the same network were assigned further mandates amounting to Euro 65 thousand.

As part of its duties, the Board of Statutory Auditors is also responsible for monitoring the independence of the Independent Auditors.

It is hereby noted that the Shareholders' Meeting of 30 April 2013 which met to approve the financial statements at 31 December 2012, had approved the proposal to combine the procedures and conditions for carrying out the legally-rquired audit due to the merger of iNTEk into Intek Group.

11.5 The Manager in Charge of Reporting and other corporate roles and functions

At its meeting of 28 June 2012, in accordance with the provisions of article 16 of the Company By-laws and after having ascertained the possession of the Directors' necessary professional and personal requirements, including personal integrity, the Board of Directors, after hearing the Board of Statutory Auditors, appointed Marco Miniati as the Manager in charge of Financial Reporting, who was originally appointed on 21 June 2007. Mr. Miniati was made responsible for the performance of the relevant duties and was given all necessary powers for which he is separately remunerated.

Marco Miniati was born in 1960 and has been a Group Executive since 1997. His activities have been focused on the control of operations of the French and German companies. He became General Manager for Administration, Controlling & Planning in 2005.

In its meeting on 14 May 2013, and following the resignation submitted by Marco Miniati, the Board of Directors, based on the favorable opinion of the Board of Statutory Auditors, appointed Mr. Giuseppe Mazza in consideration of the professional requirements, characteristics and skills he offers, granting him the appropriate powers and means to exercise the duties assigned to him as the new Manager in Charge of Reporting.

The term of office is the same as that for the Board of Directors, in other words until the date of the Shareholders' Meeting convened to approve the financial statements as at and for the year ending 31 December 2014.

The first declaration pursuant to article 154 *bis*, paragraph 2, of TUF was made by the then Manager in charge of Financial Reporting with respect to the quarterly report at 30 September 2007, with the first representation pursuant to paragraph 5 of the same article having been made with respect to the financial statements as at and for the year ended 31 December 2007.

The Manager in charge of Financial Reporting provides periodic reports to the Control and Risks Committee and the Board of Statutory Auditors on his work and has an ongoing relationship with the Independent Auditors.

11.6 Coordination between the individuals involved in the internal control system and the risk management system

The sharing of information generated in the various areas of activity is ensured through a structured information flow which all individuals with duties within the internal control system and the risk management system participate in.

To this end, we note the activity of the Manager in charge of Financial Reporting who, together with the Chairman, provides the certification required by par. 5, art. 154-bis of the TUF.

12. Interests of Directors and Transactions with Related Parties

Directors with delegated powers notify transactions entailing potential conflicts of interest to the Board of Directors and the Board of Statutory Auditors as required by article 14 of the Company By-laws.

The Procedure applicable to transactions with related parties (hereinafter the "**Procedure**"), adopted in March 2003 and amended for the first time in November of that year and thereafter in 2005, 2006, 2011, 27 March 2013 and finally 13 November 2013, pursuant to the recommendations of Consob, implements the regulatory provisions and is compliant with the Regulation for this area adopted by Consob with its resolution 17221 of 12 March 2010 (hereinafter the "**Related Parties Regulation**") which in particular requires that transactions with related parties taking place directly or through subsidiaries, must comply with the principles of:

- transparency;
- correctness in substance;
- correctness in procedures.

The Board of Directors believes that these procedures are sufficient to manage any conflicts of interest.

Here below are the most important provisions of the Regulations whose unabridged version is available in the specific section of the Company website.

Related parties are those indicated by CONSOB, but the Board of Directors has identified as key management personnel (under the CONSOB definition contained in the "Related Parties

Regulation") also the executive directors of KME A.G., KME Partecipazioni and I2 Capital Partners SGR, extending application of the procedure to them.

The Directors and the Statutory Auditors of the Company and its subsidiaries, as identified above, where they have an interest, either on their own behalf or on that of third parties, shall inform the Board of Directors, in the person of its Chairman, detailing its nature, timeframes, origin and extent. Those Directors who have such an interest are also obliged to abstain from voting on the issue and they shall not participate in the related procedure, except in the case where a different and unanimous resolution is passed by the Board of Directors on the issue.

An internal procedure is envisaged to draw up, manage and maintain the list of related parties which is updated every six months taking into account the information received from the Directors and the Statutory Auditors, as well as from the other key management personnel.

Group subsidiaries are required to comply with the Internal Regulations, where applicable, and ensure the flow of information to the Company.

"Transactions with related parties" means any transfers of resources, services or obligations between related parties, regardless of the fact that the action has been carried out for consideration.

This includes:

- merger, demerger or strictly non-proportional demerger transactions, if carried out with related parties;
- any decision on the allocation of remuneration and economic benefits, in whatever form, for members of the administrative and control bodies and key management personnel.

In compliance with the CONSOB Regulation and its annexes, transactions are divided into:

- transactions of greater importance;
- transactions of lesser importance;
- regulations-exempt transactions.

The Control and Risks Committee, which is appointed by the Board of Directors and consists solely of Independent and Non-Executive Directors:

- oversees that the procedures regarding transactions with related parties comply with the related legislative and regulatory measures that are applicable to them, and that they are fully observed in practice.
- provides the Board of Directors with its opinion regarding the Company's interest in undertaking transactions with related parties as well as regarding the cost-effectiveness and correctness of the related conditions.

Regarding transactions of greater importance, the Committee must be involved in both the examination and negotiation stages through the complete and prompt receipt of all the related information.

The Committee has the discretionary power of being able to ask for information and making its comments to the delegated bodies and the parties assigned to carry out the related negotiations, as well as being assisted by its own independent experts, at the Company's expense, for the purpose of evaluating the characteristics of the transaction.

Regarding the remuneration of Executives with strategic responsibilities of the Company and the Group, the competences set forth in the Related Parties Regulation for the Control and Risks Committee are carried out by the Remuneration Committee to which the same provisions as provided for the Control and Risks Committee are applied and its decisions are in any case disclosed to the latter in order to ensure the best possible coordination between the two bodies.

The Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors are invited to take part in the Committee meetings. Executives, members of the administration and control bodies of subsidiaries, their executives, as well as representatives of the Independent Auditors may also be invited.

The resolutions of the Committee are validly passed by majority and specific alternative procedures are envisaged for transactions in which members of the Committee are related parties.

The Minutes of the Committee meetings are taken by the Secretary to the Board of Directors and, where applicable, shall contain the reasons of the Company's interest in carrying out the transaction, as well on the basic appropriateness and correctness of the related conditions.

Transactions of a greater importance are submitted for the prior approval of the Board of Directors that passes resolutions on the issue in compliance with the procedures laid down by article 19 of the By-laws, after having heard the reasoned opinion of the Control and Risks Committee on the Company's interest in carrying out the transaction, as well as on the basic appropriateness and correctness of the related conditions.

The Committee's opinion is binding, i.e. transactions of a greater importance that have not had prior approval from the Committee cannot be carried out by the Board of Directors.

If the Board of Directors intends to carry out such a transaction without prior approval, it shall convene an ordinary Shareholders' Meeting, without delay, putting the approval of said transaction on the meeting agenda. The Shareholders' Meeting passes valid resolutions on the issue with the majorities laid down by the By-laws.

The transaction is held to be not approved and, therefore, cannot be carried out, only if the majority of the voting non-related shareholders cast their votes against the transaction and if the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

The transactions of lesser importance referred to in article 11 of the Internal Regulations are examined and resolved upon by the competent Company body in accordance with the related procedures currently in force.

According to the procedure Chairman Vincenzo Manes and, in the case of his absence or impediment, or as a matter of urgency, the Deputy Chairwoman Diva Moriani and as long as they, individually, have no conflict of interest regarding the transaction in question, have the power to approve transactions with related parties of the Company and its subsidiaries for an amount not exceeding Euro 5 million.

Furthermore, the corresponding transactions of an amount in excess of Euro 5 million as well as those of a lesser amount for which a conflict of interests situation exists involving both the Chairman and the Deputy Chairman concurrently, must be submitted for the prior approval of the Company's Board of Directors.

In both cases, transactions must be submitted for the prior, non-binding and reasoned approval of the Control and Risks Committee regarding the interest in carrying out the transaction, as well as regarding the basic appropriateness and correctness of the related conditions.

For transactions that require decisions that can be made only by the Chairman (or the Deputy Chairwoman on which the Committee has expressed a justified negative opinion, the Chairman will inform the other members of the Board of Directors without delay. Each one of the non-executive members of the Board of Directors, excluding the members of the Control and Risks Committee, has the faculty of being able to call a meeting of the Board, within three days, for the purpose of passing a resolution regarding the approval of this type of transactions.

The Internal Regulations are not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;

2. other transactions lower than Euro 100,000 with natural persons and no higher than Euro 500,000 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;
3. The so called “Remuneration plans”, based on financial instruments, approved by the Shareholders’ Meeting, pursuant to article 114 bis, of TUF and the related executive transactions;
4. resolutions regarding the remuneration of Directors invested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this issue as set out in article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;
5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;
6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within such subsidiaries or associates there are no interests, qualified as significant pursuant to the Internal Regulations, of other related parties of the Company.

Since transactions of greater importance are not subject to preparation of the “Information Document” pursuant to the applicable provisions, the Company shall:

1. communicate to CONSOB, within the timeframes laid down by the applicable measures, the name of the party involved, the subject and the amount of the transactions;
2. show in the Interim and Annual Directors’ Reports which transactions, subject to disclosure obligations, have been finalised while taking advantage of the exclusion condition.

In order to assess the non-applicability of the Internal Regulations, the following shall not be considered to be “significant interests”:

1. the mere sharing of one or more directors, or key management personnel, between the Company and its subsidiaries and associates;
2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the remuneratuion of key management personnel that is no greater than Euro 200,000.00, calculated cumulatively on a yearly basis, between subsidiaries and associates, on the one hand, and other related parties of the Company, on the other hand and that, in any case, impact, or are impacted by, the transaction in question;
3. the existence of Remuneration Plans based on financial instruments or, in any case, on variable remuneration, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are directors or executives with strategic responsibilities, also of the Company, and when the transaction in question is less than 5% of the results achieved by the subsidiaries and associates, on which the incentives are calculated;
4. when the party that controls the Company hold investments in the subsidiary or associate, if the effective weight of that equity investment is not higher than the effective weight of the equity investment owned by the same party in the Company.

Should a series of similar transactions be carried out with specific categories of related parties within the same year, they can all be authorised by the Board of Direcotrs by mean of a “Framework Resolution”.

The Company supplies information, in its Interim and Annual Directors’ Reports, regarding the following issues:

- on the individual transactions of greater importance finalised during the reporting period;
- on any other individual transactions with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, also finalised during the reporting period, which have had a relevant impact on the financial position or on the results of operations of the Company;

- on any change or development regarding transactions with related parties, which were described in the last Annual Report and that have had a relevant impact on the financial position or on the results of operations, during the reporting period.

In the case of a negative opinion by the Committee regarding a transaction of lesser importance, the Company shall make publicly available, within 15 days from the closing date of each quarter of the financial year and in compliance with the conditions, terms and methodologies of the CONSOB Regulation, a “Document” containing the description of the aforesaid transaction.

On a quarterly basis both the Board of Directors and the Board of Statutory Auditors shall receive from the Executive Directors of the Company, a specific information report regarding transactions with related parties that are not subject to the prior approval of the Board of Directors. The information report must explain the nature of the relationship, the conditions, specifically the economic conditions, the methodologies and the timeframes for the completion of the transaction, the evaluation procedure followed, the interest and the reasons underlying it.

Furthermore, a specific information document regarding performance of those transactions that have had the prior approval of the Board of Directors, also through “Framework Resolutions”, shall also be supplied.

When transactions of greater importance take place, also when carried out by Italian and foreign subsidiaries, pursuant to article 114, paragraph 5, of TUF, an “Information Document”, is drawn up in compliance with Annex 4 of the Related Parties Regulation, and is attached to the Internal Regulations as letter c) forming an integral part of such Regulation.

The Board of Directors will periodically check the effectiveness of the procedure that has been put in place and, in any case, is charged with reviewing it together with the Board of Statutory Auditors every two years, without prejudice to the possibility of promptly making amendments, for the purpose of ensuring the highest possible level of efficiency of such Regulations.

Articles 10 (Calling Shareholders’ Meetings) and 14 (Management of the Company) of the By-laws allow the Board of Directors to carry out transactions with related parties immediately in accordance with the terms provided in the Related Parties Regulation if it is urgent and does not require submission to the Shareholders’ Meeting for approval.

If the transaction is then carried out by a subsidiary, the Board of Directors must be informed at its next meeting. In addition, in case of transactions of an urgent nature and which are connected to critical situations in the Company requiring submission to the Shareholders’ Meeting for approval, the transaction may be carried out by way of exception to the relevant provisions, provided that, at the subsequent Shareholders’ Meeting called to pass resolutions on this issue, the provisions for such situations of the Related Parties Regulation are applied.

13. Appointments of the Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company By-laws with respect to good governance and, particularly, the adequacy of the organisational, administration and accounting structure of the Company as it actual oprations.

Article 22 of the Company By-laws, which is entirely dedicated to the Board of Statutory Auditors, sets out the requirements as well as the procedure for their appointment which includes:

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders’ Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana SpA;
- if only one list or lists that are linked in accordance with current regulations have been submitted within this deadline, other lists may be filed up to the third day prior to the date of the meeting. In this case, the threshold is halved;

- the presence in the list of one alternate auditor designated by minority Shareholders as a substitute, if required, for the auditor also selected from a non-controlling Shareholder list, should the latter no longer be present;
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholders with the largest share percentage of interest or, subordinately, the highest number of Shareholders, shall be deemed elected.

In particular, it is noted that in accordance with articles 148 bis of TUF and 144 *terdecies* of the Regulation, Statutory Auditors may not hold more than five positions as Statutory Auditor in issuers.

The provisions of the Company By-laws with respect to the appointment of Statutory Auditors are available at www.itkgroup.it. It should be reminded that the procedure has been updated and made compliant with the new provisions by means of the resolutions of the Board of Directors' meeting of 11 November 2010 and of the Shareholders' Meeting of 28 April 2011.

14. Composition and functions of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed as proposed by Quattrotretre SpA (the then majority shareholder of the Company with 29.66% of voting capital) during the Shareholders' Meeting held on 28 June 2012 for 2012, 2013 and 2014 with their term of office ending on the date of the Shareholders' Meeting held to approve the financial statements as at and for the year ending 31 December 2014.

Shareholders resolved to unanimously vote for the nominees; 46.425% of voting capital was present.

None of the Statutory Auditors, therefore, was appointed from a list submitted by a minority Shareholder, which, pursuant to article 22 of the By-laws, would be the highest in accordance with articles 147 ter, paragraph 1 of TUF and 144 quater of the Issuers' Regulation.

To this end, it is hereby reiterated that currently, this percentage for Intek Group is equal to 4.5% pursuant to the Consob resolution 18452 of 30 January 2013.

On 30 July 2012, the Chairman of the Board of Statutory Auditors, Mr. Riccardo Perotta and one alternate Statutory Auditor, Mr. Luca Bertoli, resigned from their respective offices. On the same date, the Standing Auditor Mr. Marco Lombardi became Chairman of the Board of Statutory Auditors and the Alternate Auditor Lorenzo Boni took over the office of Standing Auditor.

The Shareholders' Meeting of 30 April 2013 included the report of the Board of Statutory Auditors, and the confirmation of the chairmanship of Marco Lombardi and the appointment of Mr. Alberto Villani as a new Standing auditor and Mssrs. Andrea Zonca and Lorenzo Boni as Alternate Auditors.

It is hereby noted that the composition of the board is essentially already compliant with the provisions set forth in the "gender quotas" due to the presence of Ms. Francesca Marchetti as a Statutory Auditor.

As for the Directors, the names of all the members of the Board of Statutory Auditors in office during 2013 are listed below with a brief curriculum vitae, which is also available on the website **www.itkgroup.it**.

Marco Lombardi (Standing Auditor – Chairman until 28 June 2012 and subsequently replaced on 30 July 2012)

Mr. Marco Lombardi was born in 1959 and graduated in Political Sciences. He is a Registered Certified Accountant and Auditor with a professional practice in Florence. He holds positions on other Boards of Statutory Auditors and he is assigned judicial tasks. He has also published several papers on taxation.

He joined the Board of Statutory Auditors on 1 September 2008 and chaired it from 2009 to 2011.

Francesca Marchetti (Standing Auditor)

Francesca Marchetti, born in 1963, holds a degree in Economics and Business and is a Registered and Certified Public Accountant and Auditor with a professional practice in Milan and Brescia. She serves as Statutory Auditor for companies not belonging to the Group as well as for ErgyCapital SpA

She joined the Board of Statutory Auditors on 28 June 2012.

Lorenzo Boni (Standing Auditor until 30 April 2013 and after Alternate Auditor.

Lorenzo Boni was born in 1968 and holds a degree in Economics and business. He is a Registered and Certified Public Accountant and Auditor with a professional practice in Florence. He is the author of publications and papers on company and tax issues and he is also engaged in activities at the University of Florence.

He was appointed for the first time as Alternate Auditor on 29 April 2009.

Alberto Villani (Standing Auditor)

Alberto Villani was born in 1962 and graduated in Economics and Business at Bocconi University in Milan,. He is a Registered Certified Public Accountant and Auditor has a professional practice in Milan also with international customers.

He participates in board meetings and meetings of the Board of Statutory Auditors of listed and unlisted companies.

He joined the Board of Statutory Auditors on 30 April 2013.

Andrea Zonca (Alternate Auditor)

Andrea Carlo Zonca was born in 1966 and received his degree in Economics and business from the Università Cattolica del Sacro Cuore of Milan. He is registered with the Register of Chartered Accountants and the Register of Auditors and works in Milan, especially in the commercial and corporate law sector, while he is also active in the bankruptcy field. He participates in board meetings and meetings of the Board of Statutory Auditors of listed and unlisted companies.

He joined the Board of Statutory Auditors on 30 April 2013.

As to the Company's knowledge, none of the members of the Board of Statutory Auditors has, in the past five years, been found guilty of fraud nor, in the performance of his duties, has been associated with bankruptcy proceedings, extraordinary administration or compulsory administrative liquidation, nor, finally, has he/she been formally indicted or sanctioned by public or regulatory authorities (including professional associations) nor has he/she been prohibited by a court from becoming member of a Board of Directors, management board or supervisory board or from performing management activities at any issuer.

On appointment to the Board of Statutory Auditors, each member states that he/she is in possession of the professionalism and integrity requirements required by regulation and the Company By-laws and that he/she is not subject to any of the impediments listed in article 148 of TUF and undertakes to notify the Company within thirty days of any changes. The Board of Directors and the Board of Statutory Auditors also verify that each of their members still qualifies as independent in accordance with the law and article 8.C.1 of the Code.

These verifications involved the position as the Standing Auditors of Marco Lombardi, Francesca Marchetti, Alberto Villani, Lorenzo Boni and Andrea Zonca as they sit, as Standing Auditors, on other Boards of Statutory Auditors belonging to other Group companies and investees as listed below.

To this end, it is considered that these situations do not limit their independence due to their personal characteristics and as such do not represent "significant" professional relations in the overall context of their activities.

The Board of Statutory Auditors announced the findings of the verification that was also conducted for the purposes of article 149, paragraph 1, letter c *bis* of TUF requiring verification of the actual implementation of the Corporate Governance Code.

Other positions as board Directors and Statutory Auditors held by the Company's Statutory Auditors at other companies or in the Group are shown below and were provided to Shareholders when the Statutory Auditors were appointed. Their current number and importance for each auditor are below the thresholds envisaged by CONSOB and by the aforementioned ethical conventions.

The functions and responsibilities assigned to them by the Italian Civil Code are incumbent upon the Board of Statutory Auditors. Art. 2402, first paragraph the Civil Code provides that the Board of Statutory Auditors is required to monitor compliance with the law and the By-laws, compliance with the principles of correct administration and in particular the adequacy of the organisational, administrative and accounting structure and the operation thereof.

Following the entry into effect of Legislative Decree 39/27 dated January 2010, on the legally-required audit of the financial statements, the Board of Statutory Auditors also took over the task of "Internal Control and Audi Committee."

The establishment of this committee aims to minimize the financial and operating risks, risks of failure to comply with the provisions of the law and/or the regulation and to improve the quality of the financial reporting. The committee, which the Italian law requires be set within the Board of Statutory Auditors, has the following tasks:

- monitoring financial reporting;
- controlling effectiveness of internal control, internal audit and risk management systems;
- monitoring the legally required audit of the financial statements and verifying the independence of the auditor or the audit company.

The Board of Statutory Auditors regularly carries out its activities, taking part in the meetings of the Board of Directors and the other Committees, coordinating its activities with the internal audit function in particular, and with the Control and Risks Committee. Furthermore, the Board of Statutory Auditors has over time acquired, developed and maintained on the occasion of the changes in its membership, the possibility of constantly being in contact with the offices of the Company which it contacts directly and in full independence. As just underlined, this feature was confirmed on the occasion of the renewal in 2012 and of the changes in its membership structure.

Its relationship with the Independent Auditors is collaborative and entails the exchange of information.

Furthermore, within this framework, the Board of Statutory Auditors oversaw the independence of the Independent Auditors and confirmed in Reports on the financial statements that no other mandates had been assigned to the Independent Auditors either by the Company or the Group with the exception of those indicated in its Report.

It should be noted that the Directive 2006/43/EC on the legally-required audit introduced for listed companies, the "Internal Control and Audit Committee", a body identified with the Board of Statutory Auditors, responsible for overseeing:

- financial reporting;
- effectiveness of internal control, internal audit and risk management systems;
- legally-required audit of annual and consolidated financial statements;
- independence of the Auditors.

In accordance with the new provisions on remuneration, payments made to the Statutory Auditors are shown in the table drawn up in accordance with CONSOB provisions (or "Model 1" of Annex 3C of the Issuers' Regulation) contained in the Remuneration Report.

During 2013, the Board of Statutory Auditors met six times compared to the seven meetings of the previous year; participation in the meetings by the members was 94% (compared to 90.4 %). Absences of the Statutory Auditors were always justified.

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor at 31 December 2013 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	Company	Position
Marco Lombardi		
	RECS S.r.l.	Sole Director
	IMI Fondi Chiusi Sgr SpA	Member of the Board of Directors
	Brandini SpA	Chairman of the Board of Statutory Auditors
	Associazione Palazzo Strozzi	Chairman of the Board of Statutory Auditors
	SAIF S.r.l.	Chairman of the Board of Statutory Auditors
	Intek Group SpA (2)	Chairman of the Board of Statutory Auditors
	KME Italy SpA(1)	Standing auditor
	Fondazione Angeli del bello	Member of the Auditing Board
Francesca Marchetti		
	Fondo Pensione Personale Deutsche Bank Italia SpA	Standing auditor
	Ergycapital SpA (1) (2)	Standing auditor
	Intek Group SpA (2)	Standing auditor
	Bredafin Innovazione SpA in liquidation (1)	Alternate auditor
	Breda Energia SpA in liquidation (1)	Alternate auditor
	I2 Capital Partners SGR SpA (1)	Alternate auditor
Alberto Villani (**)		
	Intek Group SpA (2)	Standing auditor
	Steelma SpA in liquidation	Standing auditor
	Nuova GS SpA	Standing auditor
	Meg Property SpA	Standing auditor
	Bennet Holding SpA	Standing auditor
	De Longhi SpA (2)	Standing auditor
	Sireg SpA	Standing auditor
	Bennet SpA	Standing auditor
	Kiepe Electric SpA	Standing auditor
	EDILDA Edilizia Lombarda Srl	Standing auditor
	Vetus Mediolanum SpA	Standing auditor
	So.Se.Co. Srl	Standing auditor

Gallerie Commerciali Bennet SpA	Standing auditor
Over Light SpA	Standing auditor
Combi Line International SpA	Standing auditor
Finmeg Srl	Standing auditor
Lambda Skye Srl	Standing auditor
De Longhi Appliaances Srl	Standing auditor
FEB Ernesto Breda SpA (1)	Chairman of the Board of Statutory Auditors
CIG SpA	Chairman of the Board of Statutory Auditors
Glunz & Jansen Degraf SpA	Chairman of the Board of Statutory Auditors
Fratelli Consolandi Srl	Chairman of the Board of Statutory Auditors
Commerfin SpA in liquidaz.	Chairman of the Board of Statutory Auditors
AGB N.M.R. Holding SpA	Chairman of the Board of Statutory Auditors
Nielsen TAM Srl	Chairman of the Board of Statutory Auditors
HDP SpA	Chairman of the Board of Statutory Auditors
I2 Capital Partners SGR SpA (1)	Chairman of the Board of Statutory Auditors
Tenuta Montemagno Soc. Agr. Spa	Chairman of the Board of Statutory Auditors
ISNO 3 Srl	Chairman of the Board of Statutory Auditors
Dentro il Sole SpA	Chairman of the Board of Statutory Auditors
Quattroduedue SpA (1)	Chairman of the Board of Statutory Auditors
Venturini DMC SpA	Chairman of the Board of Statutory Auditors
Selecta SpA	Chairman of the Board of Statutory Auditors
Selecta Taas SpA	Chairman of the Board of Statutory Auditors
BTSR International SpA	Chairman of the Board of Statutory Auditors
Calvi SpA	Managing Director
SO.SE.A. Srl	Director
Royal Immobiliare Srl	Sole Director

Lorenzo Boni (*)		
	KME Italy SpA(1)	Standing auditor

Andrea Zonca (**)		
	Fidiger SpA	Chairman of the Board of Statutory Auditors
	Immobiliare Cerreto SpA	Chairman of the Board of Statutory Auditors
	Erich Weitzmann SpA	Director
	So.Se.Co. Srl	Director
	Area SpA	Standing auditor
	Arsonsisi SpA	Standing auditor
	Dalmar SpA	Standing auditor
	Dalmar Impianti SpA	Standing auditor

Axxam SpA	Standing auditor
Environnement Italia SpA	Standing auditor
Eos SpA	Standing auditor
Faster SpA	Standing auditor
GreenItaly1 SpA(2)	Standing auditor
ISNO 3 Srl	Standing auditor
Magnetor Srl	Standing auditor
Over Light SpA	Standing auditor
Tankoa Yachts SpA	Standing auditor

(1) company controlled by Intek Group SpA;

(2) company listed in a regulated market;

(*) In office as a standing auditor until 30 April 2013;

(**) in office from 30 April 2013.

15. Investor Relations

The relative documentation is provided to all those attending all the Shareholders' Meetings. The quality and timeliness of public announcements, which are fundamental for the provision of information to Shareholders and the market, have been assured through the development and use of the website.

Up to 30 November 2012, the company's website www.kme.com contained legal and financial information about the company (KME Group SpA) as well as information on the business and products of the Group's industrial companies.

On 1 December 2012, following the merger and change of the name to Intek Group, the company adopted a new website the URL of which is www.itkgroup.it. Visitors to the website www.kme.com, which now contains only information about the industrial operations of the investee company KME A.G., and the website www.itk.it, which was the iNTEk website until the merger entered into effect, are directed to this website.

Access to the sites is unrestricted and all information can be easily found, with the most recent pieces of news being highlighted. In particular, the reference to the web page containing the information is properly specified.

The site is updated as and when information is released though the electronic system which, up to 28 May 2012, consisted of the NIS (Network Information System) managed by Borsa Italiana SpA, and then by the "SDIR/NIS".

From that date, following the implementation of Directive 2004/109/EC (the "*Transparency Directive")*, CONSOB, with resolution 18159 of 4 April 2012, amended the previous situation, authorizing the system for the disclosure of regulated information named "SDIR-NIS", managed by Bit Market Service SpA. The use of this service is signalled on the homepage of the Company's website.

The system allows to disclose the press releases issued by the Company to the public by sending them to the press agencies connected to it, as well as to Borsa Italiana SpA, which in turn publishes a notice containing them, and CONSOB.

The site reports historical, documentary, accounting and financial information (annual, interim and quarterly financial statements, and other statements and documents produced over time) as well as information on corporate events (e.g., annual calendar of corporate events, corporate governance and remuneration reports, terms and conditions for the exercise of rights, details regarding the calling of Shareholders' Meetings and how to participate in them, the procedures for the appointment of the Board of Directors and the Board of Statutory Auditors).

There is a section focusing on stock market information, displaying the real-time market prices of all the company's financial instruments, together with the relevant charts.

A large section of the website is dedicated to corporate governance (corporate bodies, By-laws, characteristics of securities issued, Regulations for bonds, Internal Codes and Procedures, minutes of the Shareholders' Meetings), with specific areas dedicated to any extraordinary transactions underway.

A considerable amount of information is now also available in English, particularly press releases, financial statements and interim reports.

During 2013, the website www.itkgroup.it, which is available in Italian as well as in English, had over 30 thousand hits by over 18 thousand visitors with over 111,000 pages viewed.

The most viewed section is the Investor Relations section which contained stock exchange information and financial reports.

There have been approximately 4,200 visits to the financial statements section, from which it is possible to download the annual financial statements as well as the interim financial statements.

Furthermore, press releases and documents issued by the Company are constantly sent to subscribers to the mailing list. About 20,400 messages were sent during the year (831 subscribers at 31 December 2013).

It is possible to send requests to the Company by e-mail at investor.relations@itk.it.

The information role of investor relations is performed by the individual company units for their respective areas of expertise. This decision takes account of the current internal resources and structures of the Company and ensures that information is provided as and when required.

For each Shareholders' Meeting, the website includes a specific section where it is possible to easily find all the documentation on the items on the Agenda as well as on how ordinary Shareholders can participate in the relevant Meetings, as required also by article 125 *quater* of the TUF.

A similar initiative was taken for the holders of saving shares, as well as holders of SFP and bonds.

The Board of Directors believes that a website accessible without restrictions and updated in a timely fashion improves and enhances the quality and quantity of information about the Company and the Group, thereby providing the Shareholders, as well as the holders of other financial instruments issued by the Company and the market, with a crucial instrument for assessing the company and its initiatives.

The speed and procedures with which the information regarding the transactions that took place during 2013 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

16. Shareholders' Meetings

The Shareholders' Meeting's powers and responsibilities are those set out in the Italian Civil Code and TUF.

The implementation of EU Directive no. 36/2007, commonly known as the "shareholders' rights directive", has profoundly changed the provisions regarding the involvement of Shareholders in the activities of listed companies. Additional changes were introduced by Legislative Decree 91 of 18 June 2012, as it was subsequently amended.

The Shareholders' Meeting now consists of those who have voting rights and whose communication, sent by authorised intermediaries, has reached the Company, pursuant to the provisions in force, on the basis of the accounting records relating to the end of the accounting day on the seventh day of trading prior to the date set for the Shareholders' Meeting on first call, and which has reached the Company within the legal deadlines.

The resulting changes have already been introduced in the By-laws and internal procedures, and are aimed at confirming and ensuring equality of treatment to all the Shareholders in the same position as regards their participation and the exercise of the right to vote at Shareholders' Meetings.

The Company By-laws (articles 2 and 14) empower the Board of Directors to determine the registered and any secondary offices, to approve mergers and demergers of subsidiaries, to reduce share capital in the event of a withdrawal by a Shareholder and to comply with regulatory provisions and to retain authority over particular cases regarding transactions with related parties, naturally in compliance with the exceptions allowed by the laws in force.

It should be noted that according to article 10 of the By-laws, the Shareholders' Meeting shall be convened through specific notice published on the Company's website, and in the Official Gazette when required, but that it has also been decided to still publish the related notice in a newspaper (currently: "Il Sole 24 Ore" – "MF/Milano Finanza" – "Italia Oggi"), also in an abridged form.

During 2012, as part of the aforementioned provisions, the provisions of article 125-bis of TUF regarding the preparation of Shareholders' Meetings notices were further amended.

In any case, it should also be noted that the website www.itkgroup.it contains a specific area dedicated to corporate governance, which is constantly renewed and updated. For the Shareholders' Meetings, part of the website has been dedicated to the related documentation, including not only the documentation on the items on the Agenda but also that for the exercise of Shareholders' rights as envisaged by article 125 quater of TUF, such as, for example, the form for proxy voting, the documentation for the appointment of the Appointed Representative, and that for voting by correspondence. The procedures to ask questions during a Shareholders' Meeting and how to ask for additions to be made to the Agenda are shown in the same area.

Regarding the provisions relative to the share deposit for participation in the Shareholders' Meeting, art. 11 (Attendacne and representation at Shareholders' Meeting) of the Articles of Asssociation implements the "record date" for all; in practice participation in the Shareholders' Meetings is now connected to the accounting entries as at the seventh day on which the market is open prior to the date set for the first calling of the Shareholders' Meeting.

Pursuant to the rules, the provisions regarding the Shareholders' Meeting were extended also to the special meetings of holders of other financial instruments issued by company which are traded on a regulated market, and therefore to holders of savings shares, SFP and other bonds.

The new provisions regarding the issue of proxies and their electronic notification which are contained in article 11 of the By-laws are also worth noting.

The above-mentioned article in the By-laws contains the provisions on how to exercise the vote by correspondence.

The other methods of participating in Shareholders' Meetings are contained in article 10 (Calling of Shareholders' Meetings) of the By-laws, particularly with reference to the protection of minority Shareholders with respect to the appointment of Directors and Statutory Auditors.

As a departure from the Code, the Company has decided to do without specific "Shareholders' Meeting Rules" due to the existence of the provisions of Chapter III of the Company By-laws, available on the Company's website in the Investor Relations – Corporate Governance – By-laws section. Greater details on participation at the specific meeting and the right to ask questions can be found in the same area with reference to upcoming Shareholders' Meetings.

Within this framework, article 12 (Chairmanship of the Shareholders' Meeting) of the By-laws expressly requires the Chairman of the Shareholders' Meeting to ensure the correctness of the proceedings by directing and regulating discussions and limiting the length of individual contributions.

Holders of savings shares, SFP (except to appoint the Director they are entitled to) or bonds cannot participate in the Shareholders' Meetings for ordinary shareholders.

Each share carries unrestricted voting rights (1 vote per share) unless otherwise provided by law.

During 2013, one ordinary Shareholders' Meeting was held on 30 April 2013. On that same date, a bondholders' meeting was held as was a meeting of SFP holders.

Unless otherwise provided by law or the By-laws, the Company By-laws shall not be amended unless approved by Shareholders' resolution in the manner and with the majority prescribed by legislation.

The By-laws contain provisions for the protection of the non-controlling shareholders in regard to the convening of the Shareholders' Meeting and additions to its Agenda (article 10), appointment of the Board of Directors (articles 17 and 26 quinquies) and the Board of Statutory Auditors (article 22), in relation to the possibility of collecting voting proxies and the right to vote by correspondence (article 11) and the disclosure obligations of the Executive Directors to the other directors and the Board of Statutory Auditors (articles 14 and 18) and the Joint Representative of Savings Shareholders (article 24).

In particular, articles 17 (Appointment and Composition of the Board of Directors, term of office of its members) and 22 (Board of Statutory Auditors) of the Company By-laws were amended in 2007 through the introduction of the list-based voting procedure in favour of non-controlling shareholders.

It should be noted that articles 13 of the By-laws mentions the right of Shareholders to put forward questions before the Shareholders' Meeting (article 125 *bis*, paragraph 4, letter b), no. 1) of TUF) and article 5 mentions the right to require identification of Shareholders (article 83 *duodecies* of TUF).

It should be noted that the provisions which became effective in 2012 require that the notice indicate the deadline by which questions can be put forward prior to the meeting, and that this deadline cannot be earlier than three days prior to the Shareholders' Meeting on the first or single call or five days if the notice provides for that the company will provide a response prior to the meeting. In this case, the answers must be provided at least two days prior to the meeting, including through publication in the special section of the company's web site.

Legitimacy of asking questions is the responsibility of the individuals with the voting rights and not the shareholders.

Additions to the Agenda and presentation of new resolution proposals

Article 10 of the By-laws highlights, in compliance with article 126 *bis* of TUF, that shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the Shareholders' Meeting notice, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed.

Agenda items may not be added with respect to issues on which Shareholders resolve as per the law, upon proposal by Directors or based on a project or report put forward by Directors, other than those specified in article 125 *ter*, paragraph 1 of TUF.

Following the 2012 amendments, this provision was extended in order to allow Shareholders with a similar stake, again within 10 days of publication of the notice and according to a procedure similar to that provided for the addition to the agenda items, to put forward resolution proposals on issues already on the Agenda.

In any case, any persons with voting rights can individually put forward resolution proposals to the Shareholders' Meeting.

Pursuant to the law, the requests for additions and/or submission of a new resolution proposal shall be made using that same procedures as provided for the convening of the Shareholders' Meeting at least 15 days prior to the date set for the meeting, making the Report available to the shareholders, accompanied by any assessments by the Board of Directors.

Request to call Shareholders' Meeting

Article 10 of the By-laws, in accordance with the provisions of article 2367 of the Italian Civil Code, provides that Shareholders who represent at least a twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request shall be made by registered letter and shall contain the list of the items to be included in the Agenda and the detailed list of those requesting the meeting, together with a copy of the communication issued by the authorised intermediaries which certify ownership of the shares and their number.

17. Other Corporate Governance Issues

Internal Dealing Code

As from 1 April 2006, following the entry into force of the provisions on internal dealing introduced by Law 62 of 18 April 2005 and the subsequent amendments to CONSOB's Issuers Regulation, the Board of Directors decided at its meetings in March and then in November 2006, 2007, 2013 and on 28 April 2014 to amend and subsequently keep up to date and efficient the original procedure for the purposes of:

- assuring the dissemination and facilitating the awareness of the new provisions among the "relevant parties";
- maintaining the procedure efficient and up to date.

As an aside, it should be noted that the black out periods for transactions in the Company's financial instruments by the "relevant parties" has been maintained.

A description of the procedure is available in a specific section of www.itkgroup.it which also includes a list of all transactions concerned.

Pursuant to the new provisions regarding remuneration, the shares held in the Company and its subsidiaries by Directors and Statutory Auditors, as well as by the strategic directors of the Company and the Group, are indicated in the Report on Remuneration which you are referred to.

Personal data protection

Regarding the protection of personal data, it should be noted that article 45, paragraph 1.d of Legislative Decreeno. 5 of 9 February 2012 has eliminated the requirement to prepare a "Security Policy Document." The external Data Processing officer has been identified by the Company's Chairman.

18. Changes after the year end

There have been no significant changes since the year end.

Table 3

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS											Control and Risk Committee		REMUNERATION COMMITTEE	
Position	**Member**	**Serving from**	**Serving until**	**List (M/m) ***	**Executive**	**Non-executive**	**Inde-pen-dent as per Code**	**Inde-pen-dent as per TUF**	**% ****	**Number of other positions*** ****	********	****	********	****
Chairman	**Vincenzo Manes**	**28.06.2012**	**31.12.2014**	**M**	**x**				**100**	**4**				
Deputy Chairwoman	**Diva Moriani**	**28.06.2012**	**31.12.2014**	**M**	**x**				**100**	**6**				
Director	**Mario d'Urso**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**X**	**75**	**1**	**x**	**100**	**x**	**100**
Director	**Marcello Gallo**	**28.06.2012**	**31.12.2014**	**M**		**x**			**100**	**5**				
Director	**Giuseppe Lignana**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**X**	**100**	**= =**	**x**	**100**	**x**	**100**
Director	**James Macdonald**	**30.04.2013**	**31.12.2014**	**M**		**x**			**100**	**2**				
Director	**Ruggero Magnoni**	**14.05.2013**	**31.12.2013**			**x**			**100**	**5**				
Director	**Alberto Pirelli**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**x**	**75**	**6**		**100**	**x**	**100**
Director	**Luca Ricciardi**	**30.04.2013**	**31.12.2014**	**m**		**x**	**x**	**X**	**100**	**= =**	**x**	**100**		
Director	**Franco Spalla**	**30.04.2013**	**31.12.2014**	**M**		**x**	**x**	**X**	**100**	**1**				

------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----														
Director	**Riccardo Garrè**	**28.06.2012**	**30.4.2013**	**M**	**x**				**100**	**3**				
Director	**Italo Romano**	**28.06.2012**	**30.4.2013**	**M**	**x**				**100**	**5**				
Director	**Giancarlo Losi**	**28.06.2012**	**14.5.2013**	**M**		**x**			**100**	**2**				

Indicate the quorum required for the presentation of lists for the most recent appointment: 4.5%			
Number of meetings held during the year	***Board of Directors*** ***4***	***Control and Risks Committee:*** ***5***	***Remuneration Committee:*** ***2***

Notes

Attendance at meetings for which minutes were taken is reported in the table. It should be remembered that all the member of the Committees and those invited at the meetings, regardless of whether or not they actually attend, receive documentation and information regarding items on the Agenda with due notice, and take part in their discussion in preparation for the passing of resolutions.

***** **This column indicates M/m depending on whether the member has been elected from the list backed by the majority (M) or a minority (m).**

****** **This column indicates the percentage of attendance of directors at the meetings of the Board and the committees, respectively (no. of attendances/no. of meetings held during the effective term of office of the person concerned).**

******* **This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in Italy or abroad, as well as in financial, banking, insurance or other companies of considerable size. The Report includes the list of these companies with reference to each director, specifying whether or not the company in which the position is held is part of the Group of which the Issuer is the parent or part.**

******** **In this column, “x” indicates the Board Director is a member of the Committee.**

Table 4

Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS

Position	Member	Serving from	Serving until	List (M/m) *	Independence as per Code	% **	Number of other positions ***
Chairman	Marco Lombardi	28.06.2012	31.12.2014	M	x	100	5
Standing auditor	Francesca Marchetti	28.6.2012	31.12.2014	M	x	100	2
Standing auditor	Alberto Villani	30.04.2013	31.12.2014	M	x	66.67	
Alternate auditor	Lorenzo Boni	30.04.2013	31.12.2014	M	x	==	1
Alternate auditor	Andrea Zonca	30.04.2013	31.12.2014	M	x	==	17
---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------							
Standing auditor	Lorenzo Boni	30.07.2012	30.04.2013	M	x	100	1
Indicate the quorum required for the presentation of lists for the most recent appointment: 4.5%							
Number of meetings held during the year: 3							

Notes

* This column indicates M/m depending on whether the member has been elected from the list backed by the majority (M) or a minority (m).

** This column indicates the relevant proportion of the Statutory Auditors in the meetings of the board (no. of attendances/no. of meetings held during the period of office of the individual in question).

*** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant under article 148 *bis* of the TUF.

Table 5

Other provisions of the Corporate Governance Code

	YES	NO	Reasons for any non-compliance with the Code's recommendations
Delegation of powers and transactions with related parties			
Has the Board of Directors delegated powers establishing the relevant:			
a) limits?	x		
b) methods of exercise?	x		
c) frequency of reporting?	x		
Has the Board of Directors reserved the power to examine and approve transactions of significant relevance to the company's operating results, cash flows and financial position (including transactions with related parties)?	x		
Has the Board of Directors defined guidelines and criteria for identifying "significant" transactions?	x		
Have the above guidelines and criteria been described in the Report?	x		
Has the Board of Directors established specific procedures for the examination and approval of transactions with related parties?	x		
Have the procedures for the approval of transactions with related parties been described in the Report?	x		
Procedures for the most recent appointments as Directors and Statutory Auditors			
Were nominations for the position of Director submitted at least twenty five days in advance?	x		
Were nominations for the position of director accompanied by exhaustive information?	x		
Were nominations for the position of Director accompanied by a statement of the eligibility of the nominee to be qualified as independent?	x		
Were nominations for the position of Statutory Auditor submitted at least twenty five days in advance?	x		
Were nominations for the position of Statutory Auditor accompanied by exhaustive information?	x		
Shareholders' Meetings			
Has the Company approved a set of Rules of the Shareholders' Meeting?		x	See Chapter III of the Company By-laws, a full copy of which is available on the website
Have the Rules been annexed to the Report (or is there information as to where it is available or can be downloaded)?		x	
Internal Control			

Has the Company appointed internal control officers?	x		
Are the internal control officers independent of the heads of operational department?	x		
Organisational unit in charge of internal control (ex art, 9.3 of the Code)	x		Head of Internal Control
Investor relations			
Has the Company appointed a head of investor relations?		x	Day to day activities supported by the relevant corporate units
Organisational unit and contact details (address/telephone/fax/e-mail) of the head of investor relations		x	The e-mails to be used for any requests by shareholders and third parties are indicated in this report and on the website

INTEK GROUP

2013
REPORT ON REMUNERATION

pursuant to article 123-ter, TUF

Board of Directors
of 28 April 2014

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Fully paid-up share capital EUR 314,225,009.80
Tax Code and Milan Company Register
no. 00931330583
www.itkgroup.it

Dear Shareholders,

For the purpose of increasing the involvement of the shareholders in its determination and strengthening its transparency and coherence, the issue of the remuneration of the members of the corporate bodies has undergone significant legislative interventions. Legislative Decree 259 of 30 December 2010 amended Legislative Decree 58 of 24 February 1998 (hereinafter the "TUF") by introducing article 123 *ter* which provides for the preparation of the "Report on Remuneration" (hereinafter "the Report").

The "Report on Remuneration" shall be approved by the Board of Directors and filed with the Company's registered offices at least 21 days prior to the annual Shareholders' Meeting held to approve the annual financial statements. Then, the Shareholders' Meeting shall resolve on a specific agenda item, expressing a non-binding vote in favour of or against Section I of the report as identified below. The outcome of the vote is disclosed in a specific section of the Company's web site (www.itkgroup.it).

Resolution 18049 of 23 December 2011 issued by CONSOB completed the new regulatory provisions by introducing a new article 84 *quater* to the CONSOB Regulation 11971 of 14 May 1999 (hereinafter the "Issuers' Regulation") and providing a specific layout for the preparation of this document.

According to this layout the "Report on Remuneration" shall be divided into two sections:

- **Section 1**

focusing on the policy adopted by the Company regarding remuneration of the Board of Directors' members, the General Managers and Key management personnel as well as on the adopted procedures and the implementing terms and conditions;

- **Section 2**

focusing on an analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key management personnel, including through the use of specific tables.

The Report includes all information on the remuneration of Directors, Key management personnel and of the Board of Statutory Auditors as well. A "remuneration plan" pursuant to article 114 *bis* of TUF based on financial instruments provided to executive members of the Board of Directors and Executives is hereby included as well.

We hereby reiterate that the Company complies with the Corporate Governance Code (hereinafter the "Corporate Governance Code" or the "Code") approved by the Corporate Governance Committee and this report has been prepared also in compliance with article 6 of the aforementioned Code.

Following the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (IV edition, January 2013) concerning the "Report on corporate governance and ownership structure", disclosure required by the Corporate Governance Code was included in this report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report, as well.

In respect of the guidelines above, the "Report On Coprorate Governance " and the "Report on Remuneration" are available at the registered offices of the company and the governance section of the website www.itkgroup.it. Due to their respective contents and the numerous reciprocal overlapping areas, we recommend that they be read and studied together.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 28 April 2014.

1 Section 1

1.1 Introduction

Following the merger effective from 30 November 2012, the INTEK Group redefined its own corporate structure, major governance systems and its approach to the market.

Currently, the main objective of INTEK Group SpA is to ensure enhancement of assets and equity investments held, including through asset disposals functional to the new growth strategies; this process will involve a broad review of all managed activities focusing on the ratio return/resources used while seeking solutions for those which do not achieve satisfactory levels.

For all effects and purposes, the INTEK Group is therefore a holding company characterized by a corporate structure functional to the different investments managed.

In addition to the traditional “copper” sector, which includes the production and marketing of copper and copper-alloy semi-finished products (by the German subsidiary KME A.G.) and which continues to be the Group’s core business, the new sector “Advanced services" emerged, which includes energy from renewable sources and energy savings areas handled by ErgyCapital S.p.A. together with the integrated services in the management of risks associated with the ownership, possession and usage of motor vehicles handled by Cobra A.T. S.p.A.

With the aforementioned merger, the "financial and real estate” segment was added, including private equity and management of loans, receivables and real estate assets.

The new corporate configuration and business strategies have an influence over the remuneration policies of the INTEK Group.

1.2 The Intek Group SpA Governance Model

1.2.1 Corporate bodies

Following the changes made to the composition of the INTEK Group Board of Directors and Board of Statutory Auditors at the Shareholders' Meeting held on 30 April 2013, said corporate bodies are composed as follows as at the date of this report:

Board of Directors

Members	Position held in the Board of Directors	Positions held in Committees	
		Remuneration Committee	**Control and Risk Committee**
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Mario d’Urso	**Independent Director**	√	√ **Chairman**
Marcello Gallo	**Director**		
Giuseppe Lignana	**Independent Director**	√	√
James Macdonald	**Director**		
Ruggero Magnoni [1]	**Director**		
Alberto Pirelli	**Independent Director**	√ **Chairman**	
Luca Ricciardi	**Independent Director**		√
Franco Spalla	**Independent Director**		

[1] Ruggero Magnoni was coopted by the Board of Directors on 14 May 2013, to replace Gian Carlo Losi.

Board of Statutory Auditors

Members	**Carica ricoperta nel Collegio**
Marco Lombardi	Chairman
Francesca Marchetti	Standing auditor
Alberto Villani	Standing auditor
Lorenzo Boni	Alternate Auditor
Andrea Zonca	Alternate Auditor

Key management personnel

The members of the German subsidiaries KME AG's *Vorstand* are considered to be Key management personnel of the INTEK Group. (As at the date of this report these members are: Diva Moriani, Riccardo Garrè and Italo Romano; Diva Moriani is also the Executive Director of Intek Group) as well as the Chairwoman-CEO of KME Partecipazioni SpA (as at the date of this report the office is held by Gian Carlo Losi) and the CEO of I2 Capital Partners SGR SpA (as at the date of this report the office it is held by Marcello Gallo who is also the Director of Intek Group SpA).

1.2.2 The corporate bodies involved in the preparation of remuneration policies and relevant procedures

The remuneration policy of the executive directors and the remuneration criteria of the key management is submitted by the Remuneration Committee which is entirely composed of Independent Directors for approval by the Board of Directors, based on the opinion in favor of the Board of Statutory Auditors (also in terms of coherence of the proposals with the remuneration policy). The Board of Directors examines and approves the remuneration policy and then submits it to the vote at the Shareholders' Meeting.

The INTEK Group remuneration policy defines the guidelines which the Board of Directors complies with in order to determine the remuneration of the Board members, specifically Directors with specific mandates and Key management personnel.

Within the remuneration policy implementation process, the INTEK Group by monitors and examines periodically the market practices and remuneration levels, provided by independent external experts in aggregate form without a specific reference to other companies.

The Remuneration Committee is responsible for overseeing the implementation of the application of the remuneration policy adopted.

The remuneration policy is prepared in line with the recommendations set forth in article 6 of the Corporate Governance Code for listed companies which have been approved by Borsa Italiana SpA. Where the actual remuneration policy digresses from the indications of the Code, the reasons for this choice are provided according to the "comply or explain" criterion.

1.2.3 The Remuneration Committee: role, composition and activities

The Remuneration Committee consists of the Non-Executive and Independent Directors Alberto Pirelli (Chairman), Mario d'Urso and Giuseppe Lignana.

The Committee submits to the Board of Directors its proposals on the remuneration of the Chairman, the Deputy Chairpersons, the Chief Executive Officers and the Directors with particular duties and furthermore it assesses the criteria adopted to decide the remuneration of Key management personnel of the Company and the Group providing to the Board of Directors general recommendations on this issue. The Committee periodically monitors the suitability, overall consistency and actual application of the remuneration policy adopted.

As far as remuneration is concerned, the Committee is vested with the powers and responsibilities assigned by the “Related Parties Regulation" to the Control and Risks Committee in compliance with the provisions set forth therein. Its decisions are communicated to the Control and Risks Committee in order to ensure the best possible coordination between the two Committees.

The standing auditors of the Board of Statutory Auditors participate in the Committee's meetings; minutes are taken by the Secretary of the Board of Directors, thereby ensuring coordination with activities provided for in article 21 of the Company By-laws and article 2389, paragraph 3, of the Italian Civil Code.

No Director shall participate in the meetings if a proposal concerning him/her personally is discussed, according to the provisions of the Corporate Governance Code.

Although the Board of Directors considers that all the Committee’s members have adequate knowledge and experience, the Committee has appointed at the end of 2012 an independent consultant, HayGroup S.r.l. based in Milan, for consultancy services in order to assess the remuneration policies applicable to the Company’s Executive Directors and provide any appropriate recommendation to improve their effectiveness.

During 2013, the Committee met three times as described in the table below:

Members of the Committee	Number of attendances at Committee meetings in 2013	Percentage
Alberto Pirelli (Chairman)	3	100%
Mario d’Urso	3	100%
Giuseppe Lignana	3	100%

1.3 General Remuneration Policy Principles

1.3.1 <u>The objectives of the remuneration policy and its changes</u>

The remuneration policy is an important tool to create sustainable corporate value. It contributes to attracting and maintaining high-level professional skills and aligning individual targets and conduct to the Group’s medium to long-term strategies and plans.

An overall balanced remuneration structure consists of:

- an adequate balance between fixed and variable components of remuneration. The variable components shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;
- an appropriate variable remuneration, based on medium to long-term goals and not simply on short-term initiatives. The connection between remuneration and performance shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the residual management policies adopted by the Company;
- focusing on the creation of value for Shareholders over the medium to long-term.

These objectives have remained constant over time and have not undergone any changes in the previous year. They have also been confirmed for 2014 by the Board of Directors in office.

Due to the actions implemented for the new strategies of the Company and the Group, relative to the various businesses managed, which aim to improve the valuation of the Group’s various activities, the variable portion of the remuneration will be calculated in line with these actions.

Generally, the remuneration of the Directors and Key management personnel is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the company.

It is noted that no references to specific remuneration policies adopted by other companies were used by the Company.

1.3.2 The remuneration policies for Directors and Key management personnel

1.3.2.1 Members of the Board of Directors

The remuneration of the Non-Executive Directors is in line with the commitment required.

Based on article 8 of the Company By-laws, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 below allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee.

In the event that payment pursuant to article 8 of the By-laws is granted, the amounts received as fixed fee are considered as an advance of the aforementioned payment.

1.3.2.2 Executive Directors

Due to the Company's position as holding company, following the corporate transactions in 2012, the remuneration of the INTEK Group Chairman as from 1 January 2013 does not include any variable monetary components, which are instead identified for the other Executive Directors and Key management personnel.

The main role of the Company's Chairman is in fact to pursue the creation of value over the medium to long term for the shareholders of INTEK Group; in line with the strategic lines defined by the Board of Directors, this is expressed through strategic guidelines and control of the Group's Companies, with the companies left in charge of the mission of defining the short, medium and long-term objectives. In line with this set up, the Chairman has received, from October 2010, ordinary stock options, which can be exercised by 31 December 2015, as part of the "INTEK Group SpA 2010-2015 stock option plan."

The remuneration of the other Key management personnel is composed of:

- fixed remuneration;
- annual variable remuneration linked to the achievement of pre-defined and measurable objectives (as described in paragraph 3.2);
- additional benefits (as described in paragraph 3.4).

Variable long-term remuneration (Stock Option Plan) is defined in favour of the Deputy Chairwoman.

Given also the sub-holding structure of the company, it was preferred not to provide the Chairman of KME Partecipazioni with a variable remuneration, and to remain with the fixed remuneration only.

The Company does not usually enter into agreements with the Key management personnel regarding the early termination of the relationship by the Company or the Executive, without prejudice to the legal obligations or the provisions of national collective bargaining agreements.

1.4 The components of top management's remuneration

1.4.1 Fixed Remuneration

Top managers' remuneration reflects and is in line with the technical, professional and managerial skills of each manager. It is therefore very closely related to the role held within the Company and based on the responsibilities assumed.

It is constantly assessed, monitored and verified in comparison to the reference market taking into account the experience and professional skills required for each position.

1.4.2 ***Annual Variable Remuneration***

The purpose of the valuable remuneration component is to reward management based on results actually achieved, providing a stable connection between remuneration and performance.

The variable annual component of Executive Directors and Key management personnel' remuneration is subject to the achievement of pre-set annual targets, based on to the annual and multi-annual business plans of both the Company and the Group.

For the Deputy Chairwoman and other Key management personnel who are also members of the KME A.G.'s *Vorstand*, also a variable remuneration in 2013 was connected to achieving the targets set by the restructuring and/or development plans concerning the "copper" sector. These targets are related to:

- financial parameters (50%) (consolidated net financial debt);
- annual operating profitability parameters set according to the multi-annual business plans.

The confirmation for 2013 as well of the same reference criteria used the previous year is due to the fact that last year is to be considered as a year of transition following the merger which took place at the end of 2012.

In any case, for calculation of the variable component for 2013, an additional condition consisting of achieving a positive result before taxes has been introduced.

During 2013, INTEK Group concentrated its work on examining and approving the new strategies pursued relative to the various businesses managed, in line with the new configuration of the Company as a holding of various investments.

For 2014, in line with its structure as a holding company of diversified investments, the company management has a dynamic entrepreneurial focus on the generation of cash flows and increasing the value of investments over time, including through sales which further the pursuit of the new development strategies. In line with this strategic redefinition, we note that the overall appreciation of the Intek Group's performance must be made by considering, not only the assessment of the economic results for the period, but also and above all the increase in value over time recorded by the individual assets (as defined previously) and by their potential capacity to create value for shareholders.

The variable component of the deputy chairperson's remuneration and that of the key management will therefore be recognized, not only with reference to the economic and equity results, but also on the basis of qualitative parameters such as for example the transactions carried out, the conclusion of agreements including partnerships, the valuation of specific assets and the realization of non-recurring transactions carried out by subsidiaries as well.

In particular, as regards the copper segment, it was decided to implement, together with the rationalization interventions which are nevertheless necessary, a new strategy for valuation of the various assets of the sector, aimed at researching opportunities for combination for their development or possible interest regarding the sale thereof.

Though the general environment is not favorable, in recent months the first partial results of this new strategy have been achieved while attempts are still underway insofar as the valuation of the significant remainder of the core part of the sector.

While awaiting a more definite outline regarding the outcome of the work underway, it was decided to propose again for 2013, a variable component of remuneration for the members of the *Vortstand* based on the profit and financial performance of the sector in line with the long-term plan.

Bonuses arising from the achievement of these targets are provided in monetary form; the target variable remuneration shall not exceed a maximum amount based on the fixed remuneration according to the office held.

In the event that minimum corporate performance thresholds are not reached, no incentive shall be paid.

Currently, payment of part of the variable remuneration component cannot be deferred in time. However, the nature and levels of the performance reference parameters, to which the variable annual remuneration is connected, represent the development of annual strategic objectives in line with the long-term business plans adopted by the Company, thus avoiding that incentives rewarding short-term results apply. For the same reasons, external, very volatile components which are not in any way connected with operations, are not included in the performance calculation (for example, the effects of the fair value measurement of raw material inventories and their hedging instruments are not included in the calculation).

Furthermore, the Company and the Group's long-term interest and the risk management policies are an integral part of the internal control system and the remuneration policy is in line as well as compliant with them.

The Board of Directors will carry out an in-depth analysis of the risk profiles for the Group and its subsidiaries aimed at assessing the possibility to defer annual bonuses.

1.4.3 Long-term Variable Remuneration

In line with international practices, on 2 December 2009 the Shareholders' Meeting approved the general guidelines and regulations for a stock option plan concerning Executive Directors and Managers of the INTEK Group and of the companies directly or indirectly controlled by it.

This plan is based on the free assignment of options providing the Beneficiary with the right to subscribe and/or purchase, depending on the case, Company Shares at the end of specific vesting periods.

1.4.3.1 Objectives of the plan

According to the Company, the plan encourages the Beneficiaries to focus on strategically interesting areas, promoting loyalty and ensuring that they remain with the company.

Furthermore, the objectives which the Company aims to achieve through the plan are in line with the recommendations of the listed companies' Corporate Governance Code on the remuneration of Executive Directors and Key management personnel, since the stock option plans are defined by the aforementioned code as an instrument suitable to align the interests of Executive Directors and Key management personnel with those of Shareholders.

1.4.3.2 Plan Beneficiaries and number of options to be granted

The Plan is applicable to managers with executive responsibilities within the Company on the Grant Date. Moreover, some employees holding a managerial position under a long-term employment contract within the Company on the Grant Date were also among the Beneficiaries of the Plan.

The quantity of the options to assign to each beneficiary is established by the Board, upon the opinion/recommendation of the Remuneration Committee, given their organizational position, the responsibility and professional skills of each person within the Group's organisational structure.

1.4.3.3 Exercise of vested options

After the vesting period, the Options can be exercised, fully or in tranches, only starting from the Initial Exercise Date and within the final deadline of 31 December 2015, as follows:

a) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the first year since the Grant Date;

b) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the second year since the Grant Date;

c) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the third year since the Grant Date.

The Plan does not provide for specific vesting conditions related to performance since the share appreciation on the stcok marketcan be considered as the most significant performance condition for a listed holding company.

1.4.3.4 Policies concerning non-monetary benefits

The Company decided to provide Executive Directors with a company car which can be used for private purposes as well. ChairmanVincenzo Manes was provided with housing.

The Company also signed a “Directors & Officers’ Liability” insurance policy (hereinafter the “D&O”) which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy also covers legal expenses in case of preventive and urgent orders.

Furthermore, specific insurance policies in favour of Executive Directors and Managers which provide remuneration in case of death or permanent disability are also effective.

1.4.3.5 The policy concerning Directors’ termination benefit in case of resignation, dismissal or termination of employment after a takeover bid

On 14 March 2008 the Board of Directors had resolved that a severance indemnity shall be paid to Vincenzo Manes, in his capacity as Deputy Chairman at the time of this resolution, of an amount equal to total average remuneration for each three-year period of service to be provided upon termination of his term of office (the “TFM”). In this way, the Board of Directors completed the overall remuneration since in 2007, the first Group restructuring phase was considered to be concluded, its objective being the implementation of the most urgent business measures in the "copper" sector (at the time, this was the Parent relevant sector) while also achieving a financial stability again after the serious crisis in 2004.

Considering the new configuration of the parent company as a holding company following the completion of the merger, on 19 December 2012 the Board of Directors decided, with the favorable opinion of the Remuneration Committee and of the Board of Statutory Auditors, and the agreement of the latter, the stopping of the annual increase in the TFM as from 31 December 2012; concurrently, the TFM accrued to that date which amounted to Euro 2,409,795.09 was made available to the beneficiary by 30 June 2013. During 2013, the Chairman requested payment of a Euro 200,000 portion and in the initial months of 2014 and additional portion of Euro 360,000. Interest of 5% annually will accrue on the amount that has not been collected.

In addition to the above and with specific reference to article 123 *bis*, para. 1 lett. i) of TUF, no agreements have been entered between the Directors and Executive Directors and the Company or Group companies, that provide benefits in the event of resignation /revocation/temination or dismissal without just cause or in the event of termination of employment following a takeover bid, without prejudice to any provisions arising from the law and/or national collective bargaining agreements. Within this framework and with reference to a relevant agreement, it should be noted that current members of the subsidiary KME A.G.’s *Vorstand*, in regard to their respective employment relation, shall receive a pre-set indemnity by the subsidiary of the "copper" sector with which they have established their employment relationship, in the event of termination without just cause or demotion.

No benefit is provided for “non-competition commitments" or for granting or maintaining non-monetary benefits or entering into consulting agreements subsequently to the termination of the employment relationship; any payment of such indemnities or the execution of such agreements is decided from time to time upon termination of the Executive Director’s office as part of the termination benefits.

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The Shareholders' Meeting of INTEK Group S.p.A. held on single call on 11 June 2014 in Milan, Via Filodrammatici 3, at Mediobanca S.p.A.'s offices,

- having acknowledged the "Report on Remuneration" prepared by the Board of Directors, pursuant to article 123 ter of Legislative Decree 58 of 24 February 1999,

resolves

1. to approve on a consultation basis the “First Section" of the “Report on Remuneration" prepared pursuant to the afore-mentioned legal provisions.”

Milan, 28 April 2014

The Board of Directors

(signed on the original)

2 Section 2

2.1 <u>Part one</u>: Information on the remuneration items

2.1.1 <u>Board of Directors</u>

2.1.1.1 Remuneration as per the Company By-laws and following decision by the Shareholders' Meeting

Based on article 8 of the Company By-laws, Directors receive 2% of profits for the year after allocation to the legal reserve has been made. Article 21 allows the Shareholders' Meeting to provide Directors with any fixed remuneration; Directors with specific powers may receive a specific additional remuneration as well, following decision of the Board of Directors, after hearing the Board of Statutory Auditors.

The annual fixed remuneration for each Director, increased by 50% for those siting on the two Committees appointed (pursuant to Code Principle 6.P.2.), has been set at Euro 15,000.00 by the resolution of the Shareholders' Meeting held on 28 June 2012.

In the event that payment pursuant to article 8 of the By-laws is granted, the amounts received as fixed remuneration are considered as an advance of the aforementioned payment.

It should be noticed that the members of the afore-mentioned committees are Non-Executive and Independent Directors.

2.1.1.2 Remuneration of Directors with specific powers.

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors; Executive Directors are the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani.

Since the Deputy Chairwoman Diva Moriani and the Executive Directors with strategic responsabilities (Riccardo Garrè and Italo Romano) are members of the KME A.G.'s *Vorstand,* in addition to the fixed component they also receive a variable remuneration which takes into account the achievement of specific performance objectives in the copper sector, based on both financial parameters (50%) and annual operating profitability parameters set according to the multi-annual business plans, as described in paragraph 3.2 of Section 1 of this Report.

2.1.1.3 Remuneration of Non-Executive Directors within Committees.

The remuneration of Non-Executive Directors is supplemented due to their involvement in the Committees.

The remuneration attributed to them and other Directors pursuant to the Articles of Association, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company's profits.

No non-executive director participates in the stock option plan.

2.1.2 <u>Remuneration of Key management personnel and other Managers.</u>

The members of the KME A.G.'s *Vorstand* are considered as Key manager. For information regarding their remuneration reference should be made to the paragraphs above.

With regard to other key managers we note the following:

- the Chairman and CEO of KME Partecipazioni SpA receives only a fixed remuneration, with no variable component, due to the nature of the holding company managed; the CEO of I2 Capital Partners SGR SpA receives a fixed remuneration and, during 2013, he was also given and extraordinary remuneration, which is still to be disbursed, of Euro 500,000 for the management of the receivables and assets which flowed into the company as a result of the Intek merger.

Pursuant to article 7 of the Code, we hereby specify that:

- No specific fixed remuneration has been provided for the internal control officer, a position which is currently not covered by any company executive.
- The manager in charge of financial does not receive any additional remuneration for this office.

2.1.3 Stock option plan

2.1.3.1 The "INTEK Group S.p.A. Stock Option Plan 2010-2015"

The incentive and loyalty plan was approved at the Shareholders' Meeting held on 2 December 2009 and is exclusively for the Executive Directors and Managers of INTEK Group and its direct and indirect subsidiaries.

The new plan entails granting of options to subscribe or acquire, as the case may be:

- newly issued INTEK Group ordinary shares arising from the share capital increase resolved by the Board of Directors pursuant to article 2443 of the Italian Civil Code, excluding the option right pursuant to article 2441, para. 4, point 2, of the Italian Civil Code;
- ordinary treasury shares held by the Company.

The "Information Document" on the Plan required by article 84 *bis* of the Issuers' Regulation has been made available to the public in accordance with the terms and conditions required by law and is also available on the relevant web page of www.itkgroup.it dedicated to *stock options*.

The Plan entails the free grant of options to each of the beneficiaries to subscribe to or acquire, as the case may be, ordinary shares on the exercise of options in the ratio of 1 share for each option exercised at a price equal to the arithmetic mean of the official MTA closing prices of ordinary INTEK Group shares during the period between the grant date and the same date of the preceding calendar month.

The total maximum number of INTEK ordinary shares to be granted to the beneficiaries exercising the optionunder the Plan may be no more than 31,000,000 involving, at the Board of Directors' sole discretion, either a new issue or shares held in portfolio by the Company or partly a new issue and partly shares held in portfolio in the proportion as may be established from time to time by the Board of Directors in the best interests of the Company.

During the extraordinary Shareholders' Meeting held on 2 December 2009, the Board of Directors, pursuant to article 2443 of the Italian Civil Code, was authorised to increase share capital against payment by a maximum amount, including any premium, of Euro 15 million, without option rights pursuant to the second sentence of article 2441, paragraph 4 of the Italian Civil Code through a new issue of a maximum of 31,000,000 ordinary INTEK Group shares without par value solely for subscription by Plan beneficiaries at a subscription price equal to the arithmetic mean of the official MTA closing prices of ordinary INTEK shares during the period between the grant date to the same date of the preceding calendar month. More information on the proposed increase in share capital in favour of the Plan is contained in the Report presented in accordance with article 72 of the Issuers' Regulation made available to the public in accordance with the terms and conditions required by the law.

The Plan is intended for parties who, at the grant date, were:

i. Executive Directors of the Company.

ii. Executives employed by the Company or its subsidiaries through a permanent employment relationship.

At the grant date, the Board of Directors will select the beneficiaries from the above groups and determine the number of options to be granted to each beneficiary with the professional expertise and responsibilities of each within the organisational structure of the Group.

It should be noted that the granting and exercise of options are not subordinate to achieving particular results nor is it envisaged to keep shares for preset periods of time or until the end of service, as is required by article 7 of the Corporate Governance Code in its new version approved in March 2010, and so subsequent to the Plan which was approved on 2 December 2009.

The Plan specifically provides that in the event of termination of employment by bad leavers all options granted to such persons will be cancelled and will be without effect and validity. Bad leavers are persons who leave the Company in the following circumstances:

i. dismissal, revocation of appointment as director and/or of the beneficiary’s powers, non-renewal of the appointment as director and/or the beneficiary’s powers each for just cause;

ii. resignation of the beneficiary for reasons other than those of a good leaver.

In the event of a good leaver, the beneficiary or their heirs shall maintain the right to exercise the options granted subject to the Plan obligations, terms and conditions.

The options may be exercised, in one or more tranches, at any time between the initial date and last date (31 December 2015) of the exercise period as shown below:

“Initial date” means:

a) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the first year since the Grant Date;

b) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the second year since the Grant Date;

c) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the third year since the Grant Date.

Should the exercise of options, on the basis of the right granted by the Shareholders’ Meeting of 2 December 2009, occur prior to the initial date of exercise as established herein, the shares subscribed and/or purchased following the exercise of the options will be subject to a twenty-four month lock-up period from the subscription date (for new issues) or the acquisition date (for shares held in portfolio by the Company).

“Lock-up” means the requirement that the Beneficiary be restricted from transferring shares obtained from the Company under the Plan in order to promote loyalty.

Shares subscribed and/or acquired on the exercise of options and subject to lock-up will remain in the custody of the Company (or other entity acting for the Company) for the entire duration of the lock-up period.

The Plan requires the suspension of the exercise of the options by beneficiaries every year for the period between the date of the meeting of the Board of Directors convening the Shareholders’ Meeting for the approval of the annual financial statements and the date of the Meeting itself (both dates inclusive) or the relevant ex-dividend date, without, however, prejudice to the Board of Directors’ right to suspend, at certain times of the year in the interests of the Company or if apparently needed for the protection of the market, the beneficiaries’ exercise of options.

It is, however, possible for beneficiaries to exercise options prior to the above exercise period in the event of a change in control, or:

1) the occurrence of any transaction or event entailing the acquisition of a shareholding in INTEK exceeding the thirty per cent threshold pursuant to article 106 of TUF (a) by one party, or (b) by persons acting in concert as defined in article 101 *bis* of TUF;

2) the promotion of a takeover bid and/or public exchange offer pursuant to articles 102 et seq. of TUF when the Board of Directors of the Company has received from the offer the communication indicated under article 102 of TUF.

Any lock-up obligations are cancelled in the event of a change in control and may not be enforced by the Company and the beneficiary may transfer shares without restriction from that date.

Options are granted to and may only be exercised by the named beneficiary except in the event of the decease of the beneficiary. Options granted may not be transferred for any reason except mortis causa or subject to any encumbrance or other security interest and/or pledged by the beneficiary or by deed inter vivos or through the enforcement of legal provisions.

Any restrictions on the transfer of ordinary INTEK Group shares granted to the beneficiary following the exercise of options shall be subject to the same provisions as those in connection with lock-ups as described above.

2.1.3.2 Execution of the "INTEK Group S.p.A. Stock Option Plan 2010-2015"

In its meeting on 7 October 2010, the Board of Directors identified the Plan beneficiaries and determined the number of options assigned to each of them, for a total of 25,500,000 options (the maximum number of options authorised by the Shareholders is 31,000,000). The decision was taken, upon proposal of the Remuneration Committee, with the favourable vote of the Independent Directors and the favourable opinion of the Board of Statutory Auditors; the Directors who are beneficiaries of the Plan abstained from voting.

Granting was as follows:

- to Mr. Vincenzo Manes – Deputy Chairman (at the Grant date) 14,500,000 options
- to Mrs Diva Moriani – Deputy Chairwoman 9,000,000 options
- to Mr. Gian Carlo Losi – Director/Manager (at the Grant date) 2,000,000 options (now Chairman and CEO of Kme Partecipazioni).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of INTEK Group SpA ordinary shares at the unit price of Euro 0.295:

- 1/3 starting from 10 October 2011;
- 1/3 starting from 8 October 2012;
- 1/3 starting from 8 October 2013.

The final exercise date is 31 December 2015.

In its meeting of 19 December 2012, the Board of Directors identified additional plan beneficiaries and determined the number of options to be granted.

With the favourable opinion of the Remuneration Committee, the Board decided to grant:

- 2,500,000 options to Mr. Roberto De Vitis – a company executive (in charge of the legal and corporate area)
- 1,000,000 options to Mr. Giuseppe Mazza – Manager of the Company (in charge of managing central administration and the financial statements).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of INTEK Group SpA ordinary shares at the unit price of Euro 0.326:

- 1/3 starting from 20 December 2013;
- 1/3 starting from 22 December 2014;
- 1/3 starting from 21 December 2015;

The final exercise date is 31 December 2015.

As an alternative to the above, the Board of Directors granted beneficiaries, on the basis of the resolution passed by the Shareholders' Meeting, the possibility of exercising the options as from 20 February 2013; in the case of early exercise, the shares subscribed or purchased will be subject to a twenty-four month lock-up in compliance with the incentive goals of the Plan.

The breakdown of the Plan is set out below in compliance with the scheme ("Scheme 7-bis" as set out in Annex 3 A of the Issuers' Regulation) required by Consob.

2.1.4 ***The Board of Statutory Auditors***

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Statutory Auditors was determined on an annual basis and for the entire term of office (2012-2013-2014) by the Shareholders' Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the "essential situations" of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, please reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

2.2 Part two: Tables

2.2.1 <u>Fees paid to Directors</u>

The breakdown of fees paid to Directors in 2013, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Remuneration paid to the members of the boards and the key executives with strategic responsibilities

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	End of office	Fixed fees	Fees for participation in committees	Non-equity variable fees		Non mon. benefits	Other fees	Total	Fair Value of equity fees	Termination benefit for end of office or termination of employment
						Bonuses and other inc.	Profit sharing					
Vincenzo Manes (1)	*Chairman*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				820,000	-	-	-	18,123	-	838,123	257,496	200.000
(II) Compensation from subsidiaries and affiliates				305,000	-	-	-	-	-	305,000	-	-
(III) Total				1,125,000	-	-	-	18,123	-	1,143,123	257,496	200.000
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2013 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				130,000	-	-	-	-	-	130,000	159,825	-
(II) Compensation from subsidiaries and affiliates				470,601	-	-	-	4,567	-	475,168	-	-
(III) Total				600,601	-	-	-	4,567	-	605,168	159,825	-
Riccardo Garrè (3)	*Director General Manager*	*01/01/2013 - 30/04/2013*										
(I) Compensation in the company preparing the fin. statements				4,932	-	-	-	-	-	4,932	-	-
(II) Compensation from subsidiaries and affiliates				722,143	-	-	-	16,453	-	738,596	-	-
(III) Total				727,075	-	-	-	16,453	-	743,528	-	-
Italo Romano (4)	*Director General Manager*	*01/01/2013 - 30/04/2013*										
(I) Compensation in the company preparing the fin. statements				4,932	-	-	-	-	-	4,932	-	-
(II) Compensation from subsidiaries and affiliates				639,450	-	-	-	16,453	-	655,903	-	-
(III) Total				644,382	-	-	-	16,453	-	660,835	-	-
Mario d'Urso	*Director*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				15,600	15,000	-	-	-	-	30,600	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,600	15,000	-	-	-	-	30,600	-	-
Marcello Gallo (5)	*Director*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				15,000	-	500,000	-	-	-	515,000	-	-
(II) Compensation from subsidiaries and affiliates				345,028	-	-	-	10,596	-	355,624	-	-
(III) Total				360,028	-	500,000	-	10,596	-	870,624	-	-
Giuseppe Lignana	*Director*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				16,200	15,000	-	-	-	-	31,200	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				16,200	15,000	-	-	-	-	31,200	-	-
Giancarlo Losi (6)	*Director*	*01/01/2013 - 14/05/2013*										
(I) Compensation in the company preparing the fin. statements				22,177	-	-	-	-	-	22,177	-	-
(II) Compensation from subsidiaries and affiliates				275,156	-	-	-	-	-	275,156	-	918,628
(III) Total				297,333	-	-	-	-	-	297,333	-	918,628
Ruggero Magnoni	*Director*	*14/05/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				9,493	-	-	-	-	-	9,493	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				9,493	-	-	-	-	-	9,493	-	-
James McDonald	*Director*	*30/04/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				11,268	-	-	-	-	-	11,268	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				11,268	-	-	-	-	-	11,268	-	-
Alberto Pirelli	*Director*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				15,000	10,253	-	-	-	-	25.253	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,000	10,253	-	-	-	-	25,253	-	-
Franco Spalla	*Director*	*30/04/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				11,868	-	-	-	-	-	11,868	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				11,868	-	-	-	-	-	11,868	-	-
Luca Ricciardi	*Director*	*30/04/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				11,268	4,747	-	-	-	-	16,015	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				11,268	4,747	-	-	-	-	16,015	-	-
Other key management personnel (7)												
(I) Compensation in the company preparing the fin. statements				-	-	-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-

Notes

(1) Euro 15,000 as a fixed remuneration agreed upon by the shareholders' meeting, Euro 805,000 for the office of the Chairman of Intek Group SpA, Euro 150,000 for the office of member of the KME A.G. Supervisory Board, Euro 150,000 for the office of Chairman of I2 Capital Partners SGR SpA and Euro 5,000 as a Directors of I2 Capital Partners SGR SpA.
The non-monetary benefits (Euro 18,123) are paid for the function of INTEK Group SpA Chairman. For the termination benefits please see section 1, paragraph 3.5.

(2) Euro 15,000 as a fixed remuneration upon the resolution of the Shareholders' Meeting, Euro 115,000 for the office of Vice Chairman of Intek Group SpA, Euro 220,000 for membership in the KME A.G. Vorstand, Euro 236,246 for the office of executive in KME S.r.l., Euro 4,355 for default expense refunds paid by KME S.r.l., Euro 5,000 referred to the fees paid by ErgyCapita and Euro 5,000 to the fees paid by I2 Capital Partners SGR SpA.
The non monetary benefits (Euro 4,567) are paid for the function of KME S.r.l. Executive.

(3) Riccardo Garrè is now considered to be a key manager due to his membership in the KME A.G. Vorstand.

(4) Italo Romano is now considered a key manager due to his membership in the KME A.G. Vorstand.

(5) Euro 15,000 as fixed remuneration decided upon by the Intek Group Shareholders' Meeting.
In I2 Capital Partners SGR: Euro 242,528 as an manager, Euro 50,000 as CEO and Euro 5,000 as a director, Euro 30,000 for membership in the KME A.G. Supervisory Board, Euro 7,500 for the office of director in FEB- Ernesto Breda SpA and Euro 10,000 for the position as liquidator of Bredafin Innovazione SpA in liquidation.
The non-monetary benefits (Euro 10,596) are paid for the function as I2 Capital Partners SGR SpA Executive.

(6) Gian Carlo Losi is now a key manager in his office as the Chairman of KME Partecipazioni SpA.
The remuneration payable for termination of the employment relationship includes the gross remuneration as provided by the applicable National Collective Labour Agreement for corporate executives, including a payment of the accrued Italian post employment benefits (TFR).

(7) All key executives with strategic responsibilities are already included in the above.

2.2.2 ***Stock Options***

The breakdown of the “Intek Group S.p.A. 2010 – 2015 Stock Option Plan” is provided in compliance with CONSOB provisions (“Scheme 7-bis” - Table 2 - Annex 3A of the Issuers' Regulation).

Stock options granted to members of the administrative body, general managers and other key manager

			Options held at the beginning of the year			Options granted during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options accrued in the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible period of exercise (from-to)	Number of options	Exercise price	Possible period of exercise (from - to)	Fair value at the granting date	Granting date	Market price of the underlying shares upon granting of the options	Number of options	Exercise price	Market price of the underlying shares at the granting date	Number of options	Number of options	Fair value
Vincenzo Manes	*Chairman*	*2010-2015*															
(I) Compensation in the company preparing the fin. statements			14,500,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	14,500,000	257,496
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			14,500,000	-	-	-	-	-	-	-	-	-			-	14,500,000	257,496
Diva Moriani	*Deputy Chairwoman*	*2010-2015*															
(I) Compensation in the company preparing the fin. statements			9,000,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	9,000,000	159,825
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	9,000,000	159,825
Giancarlo Losi	*Director*	*2010-2015*															
(I) Compensation in the company preparing the fin. statements			9,000,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	9,000,000	35,517
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	9,000,000	35,517
Two executives of the Company		*2010-2015*															
(I) Compensation in the company preparing the fin. statements			3,500,000	0.326	Dec 2013/Dec 2015				-	-	-				-	-	117,142
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			3,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117,142

2.2.3 Monetary incentives plan

The table below contains the monetary incentive plan in the form required by scheme 7-bis in Annex 3A of the Issuers' Regulation.

Executive directors, beneficiaries of the M.B.O. Plan, have waived the variable remuneration for 2013.

Marcello Gallo received, but has not yet collected, a bonus of Euro 500,000 for his activities involving the former Intek assets.

No bonuses relative to previous years were paid in 2013.

Monetary incentive plans in favour of members of the administrative body, general managers and other key managers

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	**Office**	**Plan**	**Bonus for the year**			**Bonus of previous years**			**Other bonuses**
			(A)	**(B)**	**(C)**	**(A)**	**(B)**	**(C)**	
			Payable/Paid	**Deferred**	**Reference period**	**Not payable anymore**	**Payable/Paid**	**Still deferred**	
Diva Moriani	*Deputy Chairwoman*	*M.B.O.*							
(I) Compensation in the company preparing the fin. statements			-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Riccardo Garrè	*Executive with strategic responsibilities*	*M.B.O.*							
(I) Compensation in the company preparing the fin. statements			-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Totale			-	-		-	-	-	-
Italo Romano	*Executive with strategic responsibilities*	*M.B.O.*							
(I) Compensation in the company preparing the fin. statements			-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Gian Carlo Losi	*Executive with strategic responsibilities*	*M.B.O.*							
(I) Compensation in the company preparing the fin. statements			-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Marcello Gallo	*Director*	*M.B.O.*							
(I) Compensation in the company preparing the fin. statements			500,000	-	2013	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			500,000	-		-	-	-	-

2.2.4 Investments held by members of the administrative and control bodies and key manager

The investments held by members of the administrative and control bodies and key manager are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter - Table 1 - Annex 3A of the Issuers' Regulation).

Investments held by Directors and Key Managers

Name and surname	Office	Investee	Number of shares held at the end of 2012	Number of shares purchased during 2103	Number of shares purchased during 2103	Number of shares held at the end of 2013
Diva Moriani	Executive Deputy Chairwoman	Intek Group SpA – Ordinary shares	406,555	550	-	407,105
Marcello Gallo	Director	Intek Group SpA - Ordinary shares	835,931	-	-	835,931
Luca Ricciardi (1)	Director	Intek Group SpA - Ordinary shares	120,000	-	-	120,000
Italo Romano	Key Manager	Intek Group SpA - Ordinary shares	163,635	-	-	163,635
Gian Carlo Losi	Key Manager	Intek Group SpA - Ordinary shares	141,357	-	-	141,357

(1) At the appointment date

2.2.5 Remuneration of the Board of Statutory Auditors

The breakdown of the Board of Statutory Auditors' remuneration in 2013, including in subsidiaries, is shown in the table below which has been prepared in accordance with CONSOB provisions ("Scheme 7-bis" – Table 1 – as set out in Annex 3 A of the Issuers' Regulation).

Remuneration paid to the members of the control body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period for which office was held**	**End of office**	**Fixed fees**	**Fees for committee participation**	**Non-equity variable compensation**		**Non mon. benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Severance indemnity for end of office or termination of employment**
						Bonuses and other inc.	**Profit sharing**					
Marco Lombardi	*Chairman*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				53,700	-	-	-	-	-	53,700	-	-
(II) Compensation from subsidiaries and affiliates				18,200	-	-	-	-	-	-	-	-
(III) Total				71,900	-	-	-	-	-	53,700	-	-
Francesca Marchetti	*Standing auditor*	*01/01/2013 - 31/12/2013*	*Approval of 2014 fin. statements*									
(I) Compensation in the company preparing the fin. statements				35,000	-	-	-	-	-	35,000	-	-
(II) Compensation from subsidiaries and affiliates				12,500	-	-	-	-	-	-	-	-
(III) Total				47,500	-	-	-	-	-	35,000	-	-
Alberto Villani	*Standing auditor*	*01/05/2013 – 31/12/2013*	*Approval of 2014 fin. statements*								-	-
(I) Compensation in the company preparing the fin. statements				23,493	-	-	-	-	-	23,493	-	-
(II) Compensation from subsidiaries and affiliates				16,500	-	-	-	-	-	-	-	-
(III) Total				39,993	-	-	-	-	-	23,493	-	-
Lorenzo Boni	*Standing auditor*	*01/01/2013 – 30/04/2013*										
(I) Compensation in the company preparing the fin. statements				10,467	-	-	-	-	-	10,467	-	-
(II) Compensation from subsidiaries and affiliates				18,200	-	-	-	-	-	-	-	-
(III) Total				28,667	-	-	-	-	-	10,467	-	-

Marco Lombardi:	(I) Euro 55,000 fixed fee and Euro 1,200 attendance fee (II) Fee as Chairman of the Board of Statutory Auditors of KME Italy SpA
Francesa Marchetti:	(II) Fee as Statutory auditor of ErgyCapital SpA
Alberto Villani:	(II) Euro 6,500 fee as Chairman of the Board of Statutory Auditors of FEB - Ernesto Breda SpA, Euro 10,000 fee as Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA
Lorenzo Boni:	(II) Fee as Statutory auditor of KME Italy SpA

Separate financial statements at 31 December 2013

Intek Group – Separate financial statements at 31 December 2013

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31 Dec. 2013*	*of which related parties*	*31 Dec. 2012*	*of which related parties*
Property, plant and equipment	*4.1*	399,093	-	441,241	-
Investment property	*4.2*	257,289	-	1,557,289	-
Goodwill	*4.3*	6,000,000	-	6,000,000	-
Intangible assets	*4.4*	1,544	-	2,204	-
Investments	*4.5*	482,527,920	*482,516,033*	475,859,131	*475,847,243*
Other non-current assets	*4.6*	17,924	-	17,924	-
Non-current financial assets	*4.7*	10,551,488	*498,849*	59,140,271	*37,669,721*
Deferred tax assets	*4.22*	8,083,413	-	9,668,873	-
Total non-current assets		**507,838,671**		**552,686,933**	
Trade receivables	*4.8*	10,325,050	*987,546*	12,328,830	*1,343,950*
Other current receivables and assets	*4.9*	9,474,738	*36,449*	13,687,569	*57,196*
Current financial assets	*4.10*	19,137,112	*19,126,473*	44,059,511	*43,605,735*
Cash and cash equivalents	*4.11*	929,835	-	10,575,688	-
Total current assets		**39,866,735**		**80,651,598**	
Non-current assets held for sale	*4.12*	**811,750**		**-**	
Total assets		**548,517,156**		**633,338,531**	

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2013

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31 Dec. 2013*	*of which related parties*	*31 Dec. 2012*	*of which related parties*
Share capital		314,225,010	-	314,225,010	-
Other reserves		26,438,989	-	44,879,261	-
Treasury shares		(2,542,660)	-	(2,542,660)	-
Retained earnings		72,187,807	-	72,187,807	-
Stock options reserve		1,982,620	-	1,640,603	-
Convertible loan		24,000,000	-	24,000,000	-
Loss for the year		(157,933)	-	(18,382,168)	-
Total equity	*4.13*	**436,133,833**		**436,007,853**	
Employee benefits	*4.14*	325,500	-	307,206	-
Deferred tax liabilities	*4.22*	1,635,079	-	2,811,770	-
Non-current loans and borrowing	*4.15*	46,701	-	57,769,846	*3,084,135*
Bonds and SFP	*4.16*	57,595,057	-	57,066,052	-
Other non-current liabilities	*4.17*	1,132,324	-	1,204,944	-
Provisions for risks and charges	*4.18*	2,627,203	-	4,498,937	-
Total non-current liabilities		**63,361,864**		**123,658,755**	
Current loans and borrowing	*4.19*	40,226,053	*13,931,227*	65,741,083	*20,173,657*
Trade payables	*4.20*	1,113,754	*124,729*	2,216,804	*424,339*
Other current liabilities	*4.21*	7,681,652	*2,981,981*	5,714,036	*2,791,475*
Total current liabilities		**49,021,459**		**73,671,923**	
Total liabilities and equity		**548,517,156**		**633,338,531**	

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2013

Statement of comprehensive income

(in Euro)	*Ref. Note*	*2013*	*of which related parties*	*2012*	*of which related parties*
Revenues from sales and services	*6.1*	202,321	*202,321*	2,609,481	*2,609,481*
Other income	*6.2*	792,502	-	-	-
Personnel expense	*6.3*	(1,986,706)	*(408,677)*	(1,035,223)	*(421,302)*
Amortisation, depreciation and impairment lossess	*6.4*	(96,944)	-	(24,697)	-
Other operating costs	*6.5*	(2,973,187)	*(2,142,595)*	(5,032,956)	*(2,147,994)*
Operating loss		**(4,062,014)**		**(3,483,395)**	
Financial Income	*6.6*	16,195,559	*16,088,410*	7,607,535	*7,571,228*
Financial Expenses	*6.6*	(12,330,478)	*(3,944,531)*	(21,656,221)	*(18,472,151)*
Loss before taxes		**(196,933)**		**(17,532,081)**	
Current taxes	*6.7*	(60,725)	-	(98,768)	-
Deferred taxes	*6.7*	99,725	-	(751,319)	-
Total income taxes		**39,000**		**(850,087)**	
Loss from continuing operations		**(157,933)**		**(18,382,168)**	
Profit/ (Loss) from discontinued operations		-		-	-
Loss for the year		**(157,933)**		**(18,382,168)**	
Other components of total comprehensive income					
Employee defined benefit plans		7,934		-	
Tax on other components of total comprehensive income		-		-	
Item that will not be reclassified to profit or loss		7,934		-	
Items that will be reclassified to profit or loss		-		-	
Other comprehensive income		7,934		-	
Total comprehensive expense for the year		**(149,999)**		**(18,382,168)**	

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2013

Statement of changes in equity at 31 December 2012

(thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit for previous years*	*Stock options reserve*	*Convertible loan*	*Loss for the year*	*Total equity*
Equity as at 31 December 2011	**297,041**	**94,682**	**(2,680)**	**72,188**	**1,184**	**-**	**(9,885)**	**452,530**
Coverage of loss carried forward from previous year	-	(9,885)	-	-	-	-	9,885	-
Purchase of treasury shares for Share for Exchange Offer	-	-	(46,361)	-	-	-	-	(46,361)
Annulment of treasury shares	-	(49,041)	49,041	-	-	-	-	-
Effect of merger with Intek SpA	17,184	9,770	-	-	-	24,000	-	50,954
Purchase of treasury shares for withdrawal	-	-	(2,543)	-	-	-	-	(2,543)
Costs for purchases of treasury shares	-	(801)	-	-	-	-		(801)
Expiry of stock options	-	-	-	-	456	-	-	456
Deferred tax assets recognised in equity	-	155	-	-	-	-	-	155
Components of comprehensive income (expense)	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	(18,382)	(18,382)
Total comprehensive expense	-	-	-	-	-	-	(18,382)	(18,382)
Equity at 31 December 2012	**314,225**	**44,880**	**(2,543)**	**72,188**	**1,640**	**24,000**	**(18,382)**	**436,008**
Reclassification of treasury shares	(2,543)	-	2,543	-	-	-	-	-
Equity at 31 December 2012	**311,682**	**44,880**	**-**	**72,188**	**1,640**	**24,000**	**(18,382)**	**436,008**

As at 31 December 2012 Intek held 978,543 savings shares and 6,230,691 ordinary shares without nominal value. Their historical cost has been fully reclassified, as a reduction of the share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2013

Statement of changes in equity at 31 December 2013

(thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit for previous years*	*Stock options reserve*	*Convertible loan*	*Loss for the year*	*Total equity*
Equity as at 31 December 2012	**314,225**	**44,880**	**(2,543)**	**72,188**	**1,640**	**24,000**	**(18,382)**	**436,008**
Loss carried forward from previous year	-	(18,382)	-	-	-	-	18,382	-
Expiry of stock options	-	-	-	-	342	-	-	342
Deferred tax assets recognised in equity	-	(67)	-	-	-	-	-	(67)
Actuarial profits/losses on pension funds	-	8	-	-	-	-	-	8
Total comprehensive income	-	8	-	-	-	-	-	8
Loss for the year	-	-	-	-	-	-	(158)	(158)
Total comprehensive income (expense)	-	8	-	-	-	-	(158)	(150)
Equity at 31 December 2013	**314,225**	**26,439**	**(2,543)**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**
Reclassification of treasury shares	(2,543)	-	2,543	-	-	-	-	-
Equity at 31 December 2013	**311,682**	**26,439**	**-**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**

At 31 December 2013 Intek directly held 978,543 savings shares and 6,230,691 ordinary shares without nominal value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2013

Statement of cash flows - indirect method

(thousands of Euro)		*2013*	*2012*
(A) Cash and cash equivalents at the beginning of the year		**10,576**	**6,605**
Loss before taxes		(197)	(17,532)
Amortisation and depreciation of intangible assets and property, plant and equipment		97	25
Impairment losses (reversal of impairment losses) on current and non-current financial assets		(5,365)	18,380
Changes in provisions for pensions, post-employment benefits and stock options		350	305
Changes in provisions for risks and charges		(1,872)	-
Decrease in current receivables		5,405	1,164
Increase in current payables		865	710
Taxes paid during year		382	597
(B) Total Cash flows from/(used in) operating activities		**(335)**	**3,649**
Increase in non-current intangible assets and property, plant and equipment		(55)	(1)
Decrease in non-current intangible assets and property, plant and equipment		1,300	-
(Increase)/decrease in investments		(22)	4,621
(Increase)/decrease in other non-current assets/liabilities		6,358	(2,298)
(C) Cash flows from investing activities		**7,581**	**2,322**
Changes in equity		-	(47,007)
(Purchase) sale of treasury shares		-	(2,543)
Increase (decrease) in current and non-current loans and borrowings		(82,709)	9,121
(increase) decrease in current and non-current loan assets		65,817	21,743
(D) Cash flows used in financing activities		**(16,892)**	**(18,686)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(9,646)**	**(12,715)**
(F) Cash and cash equivalents contributed by the merged company		**-**	**16,686**
(G) Cash and cash equivalents at the end of the year	**(A) + (E) + (F)**	**930**	**10,576**

The notes are an integral part of these financial statements.

Transactions with related parties are not separately recorded in the statement of cash flows since their amount is negligible.

Intek Group – Separated financial statements at 31 December 2013

Notes

1. *General information*

Intek Group SpA (hereafter also the "Intek Group" or the "Company") heads a diversified group operating in the sector of copper and copper-alloy semi-finished products, in the financial sector with the management of investments and private equity funds, and in the sector of advanced services, including energy from renewable sources, and of the management of the risks associated with the possession, ownership and use of vehicles. The Intek Group aims to manage all the investments with a view to their dynamic value creation focussed on the generation of cash and on their increasing value over time.

The Intek Group is a joint stock company (Società per Azioni) registered in Italy with the Milan Company Register under no. 00931330583, and its shares are listed on the Mercato Telematico Azionario (Borsa Italiana's electronic market) organized and managed by Borsa Italiana SpA.

The separate financial statements at 31 December 2013 were approved by the Board of Directors on 28 April 2014 and will be published in accordance with legal requirements.

Although it is owned by Quattroduedue Holding BV, through the wholly controlled Quattroduedue SpA, Intek is not subject to the management and coordination of Quattroduedue pursuant to articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulations due to the fact that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- the Company does not participate in any centralised treasury arrangements operated by the Parent or another company under Quattroduedue's control;
- the number of independent Directors (5 out of 10) is such as to ensure that their opinions have a material influence on board decisions.

2. *Accounting policies*

2.1. *Basis of presentation*

The separate financial statements as at and for the year ended 31 December 2013 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and endored by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 where applicable.

The separe financial statements are made up of the Statement of financial position, the Statement of other comprehensive income, the Statement of cash flows, the Statement of changes in equity as well as the notes. The financial statements and the notes to the financial statements include, besides the amounts relating to the reference period, also the corresponding comparative data at 31 December 2012.

The statement of financial position has been prepared by distinctly classifying the current and non-current assets and the current and non-current liabilities.

The Company has opted for presentation of a single statement of comprehensive income in which the items of revenue and cost recognized during the reporting period are presented, including the financial expenses and the tax expenses. The elements which, upon the specific indication of the individual IFRS, are recognized separately from the profit (loss) of the current reporting year, are shown in the "*Other comprehensive income*". These elements are divided into two categories as follows:

- those which will not be subsequently reclassified in profit (loss) for the year;
- those that will be subsequently reclassified in profit (loss) for the year, when specific conditions are fulfilled.

The method used for the presentation of cash flows within the cash flow statement is the indirect method, according to which the profit (loss) for the year is adjusted by the effects of:

- changes in receivables and payables generated by operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flows from (used in) investing or financing activities.

In preparing the financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements as at 31 December 2012, except for the standards effective as from 1 January 2013.

The accounting standards, amendments and interpretations applied for the first time by the company, which nevertheless had no significant effect on equity or the profit/loss for the year period, are the following:

IAS 1 Presentation of financial statements (Presentation of the components of other comprehensive income) - The objective of the amendments to IAS 1 is to make the presentation of the increasing number of items comprising the Other comprehensive income clearer and help users of the financial statements to distinguish the components of Other comprehensive income that may or may not later be reclassified in profit or loss.

The application of the new IAS 1 version Presentation of Financial Statements, although having no effect on the profit (loss) for the year and on the equity, entailed the restatement of the previous financial year's figures relative to the statement of of comprehensive income.

IAS 19 Employee Benefits – The methods for recording the Defined Benefit Plans have been revised prescribing, among other things, the immediate recognition of all actuarial differences in comprehensive income, eliminating the so-called corridor rule.

The application of the new version of *IAS 19 Employee Benefits* had no significant effect on the separate financial statements.

IFRS 7 – Financial Instruments: Disclosure (Offsetting Financial Assets and Financial Liabilities), IAS 32 Financial instruments: Presentation (Offsetting Financial Assets and Financial Liabilities) - The purpose of the amendments to IFRS 7 is to prescribe additional quantitative information to allow users to better compare and reconcile the information deriving from the application of the IFRS and those deriving from the application of the United States of America's *Generally Accepted Accounting Principles* (GAAP). Furthermore, the IASB amended IAS 32 to provide additional guidance to reduce inconsistencies in the practical application of the Standard. The amendments, which require disclosure of remuneration rights and the relative agreements (guarantees) had no impact on the company's financial position or profit and loss.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011), IAS 28 Investments in Associates and Joint Ventures (2011) - The objective of IFRS 10 is to provide a single model for the Consolidated Financial Statements that prescribes Control as the basis for the consolidation of all types of entities. IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Special Purpose Entities. IFRS 11 establishes the accounting reporting standard for entities that are parties to joint arrangements and replaces IAS 31 Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 12 combines, reinforces, and supersedes the disclosure obligations for subsidiaries, joint arrangements, associates, and unconsolidated structured entities. Pursuant to these new IFRS, IASB also issued the amended IAS 27 and the amended IAS 28.

IFRS 13 Fair Value Measurement - IFRS 13 provides a single IFRS framework for the fair value measurement and provides complete guidelines on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies whenever another IFRS requires or allows fair value measurements or requires supplementary information regarding the fair value measurements.

Annual Improvements 2009-2011 Cycle - Three improvements, in particular the amendment to appendix D of IFRS 1, IAS 16, and IAS 34 are clarifications or corrections regarding the standards in question. The other three improvements, in particular the amendments to IFRS 1, IAS 1, and IAS 32, involve changes in the existing provisions or the formulation of additional guidelines concerning the implementation of these provisions.

The Company has not yet applied the accounting standards which are listed below in paragraph 2.19 and which, although already issued by the IASB, become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognized and presented with respect to their economic substance rather than legal form.

Specific notes contained in the Directors' Report disclose the content and meaning of the alternative performance indicators, where applicable, which, although not required by IFRS, are in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

These financial statements are presented in Euro, the functional currency of the Company. The tables are in Euro, while the data in the notes, unless otherwise indicated, are in thousands of Euro.

2.2. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including direct accessory costs, and are shown net of accumulated depreciation and any impairment losse determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is separately accounted for.

The property plant and equipment are measured at cost, and net of depreciation and impairment losses.

Ordinary maintenance costs are charged to the year they are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is probable that future measureable economic benefits will arise from them. Borrowing costs relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

Depreciation is accounted for from the month the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is charged monthly on a straight line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Assets under finance leases

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components: financial expense, recognized in profit or loss, and repayment of principal, recognized as a reduction of financial liabilities. Assets held under finance leases are recognized at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

"Operating leases" are defined as any arrangement for the lease of assets that is not a finance lease.

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of selling price and value in use, and comparison of the appropriate value with the carrying amount. The recoverable amount is the higher of value in use and its fair value less costs to sell. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognized in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated analogously. Information regarding impairment tests are contained in the paragraph "Financial assets and liabilities".

2.3. Investment property

This is land and buildings held to collect rents or to appreciate the invested capital or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight line basis.

2.4. Intangible assets

(a) Goodwill

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill and other intangible assets with indefinite useful lives are not amortised. Recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Impairment losses are not subsequently reversed.

(b) Other intangible assets with finite useful lives

An intangible asset with finite useful life is an identifiable asset without physical substance that is controlled by an entity and is capable of producing future economic benefits.

Intangible assets are either:

- purchased from third parties;
- acquired through business combinations; or
- internally generated.

In the first two instances, intangible assets, including directly attributable expenses, are initially recognized at cost or fair value, respectively. They are then systematically amortised based on their useful life, which is the period over which the assets will be used by the company, generally between three and five years. The residual value of intangible assets at the end of their useful life is assumed to be zero.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "Property, plant and equipment".

Internally generated assets are capitalised only to the extent they meet the requirements of IAS 38, paragraph 57.

2.5. Financial assets and liabilities

All investments in subsidiaries, associates and joint ventures are measured at cost less any impairment losses.

Non-derivative financial assets with fixed or determinable payments and a specific due date, that the Group intends and has the ability to hold until maturity, are designated as "*Held-to-maturity investments*". The assets included in this category are measured at amortised cost using the effective interest method pursuant to IAS 39.

Financial assets and liabilities acquired or held primarily to be sold or repurchased in the short-term and derivative financial instruments not designated as hedging instruments are classified as "*Financial assets or liabilities at fair value through profit or loss*" separately indicating those that were classified as such on initial recognition (*fair value option*). Stakes in investment funds also fall into this category. These assets are measured at fair value through profit or loss.

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not listed on an active market and not included in any of the above categories, are classified as "*Loans and receivables*" and are carried at amortised cost using the effective interest method. The amortised cost of current *loans and receivables* and all short-term trade payables and receivables, for which the time value of money is immaterial, is deemed to correspond to their carrying amount.

All other non-derivative financial assets which are not classified in one of the three categories above are classified as "*Available-for-sale financial assets*" and measured at fair value with changes recognised directly in equity, with the exception of any impairment losses.

Treasury shares are measured at historical purchase cost and recognised as a reduction in equity. In the event of sale, reissue or cancellation, the consequent profit and losses are recognised directly in equity.

Determination of impairment losses

All financial assets and liabilities, with the exception of "*Financial assets and liabilities at fair value through profit or loss*", are tested for impairment in accordance with IAS 39, paragraphs 58-70.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of projected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

For investments in equity-accounted investees, pursuant to IAS 28 paragraph 40 et seq., IAS 39 is applied to determine the need to recognise any further impairment losses relating to the net investment. The entire carrying amount of the investment is however tested for impairment under IAS 36 by comparing its recoverable amount whenever application of IAS 39 indicates a possible impairment of the investment.

All impairment losses are recognized in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognized through equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognized.

Impairment losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and available-for-sale assets, which are debt instruments, are recognized in profit or loss.

Measurement at fair value

The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, on initial recognition, is determined on the basis of the transaction price and is, therefore, equal to the amount paid or received.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions at the end of the reporting period. The fair value of interest rate swaps is calculated with reference to the present value of expected future cash flows. The fair value of currency forward contracts is determined with reference to the forward exchange rate at the end of the reporting period.

Fair value adjustments of derivative instruments not classified as hedging instruments are immediately recognized in profit or loss.

The fair value of non-derivative financial instruments is determined by discounting future cash flows at the market interest rate at the end of the reporting period.

The fair value of price fixing sales and purchase contracts is determined with reference to the market price at the end of the reporting period of the contract's metal component compared to the contract price. Fair value also reflects counterparty risk and the time value of money through discounting, when this is significant.

2.6. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and highly liquid short-term financial investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.7. Equity

Share capital consists of ordinary and savings shares without par value, fully subscribed and paid up at year end, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes, whilst the historical cost of owned treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity transactions have been directly as a deducted from reserves.

The Intek Group 2012-2017 Convertible Loan has been recorded, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the Convertible Bonds instead of their (automatic) conversion into shares is remitted to the shareholders' meeting (by means of a resolution adopted with the majority required by the regulation for the Convertible Bonds);
- the number of shares which the issuer of the Convertible Bonds must assign to the holders of the Convertible Bonds on their expiry is preset and is not subject to change.

2.8. Receivables and payables

Receivables and payables are recognized at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognized at their par value.

2.9. Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognized in profit or loss unless relating to transactions recognized directly in equity in which case the relevant tax is also recognized directly in equity.

The current tax expense represents the estimated income tax payable computed on taxable income for the year as determined with reference to current tax rates or those substantially in effect at year end. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities for transactions other than business combinations that have no effect on either accounting profit (or loss) or taxable profit (or loss); differences relating to investments in subsidiaries and joint ventures to the extent that the difference is not likely to reverse in the foreseeable future. The Company also does not recognise deferred tax liabilities arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured with reference to tax rates that it is believed will be in effect in the period in which the underlying asset will be recovered or liability paid based on tax rates in effect or substantially in effect at year end. There is an offset of deferred tax assets and liabilities whenever there is a legal right to offset current tax assets and liabilities and if the deferred tax asset or liability relates to income taxes assessed by the same tax authority on the same taxpaying entity or differing taxpaying entities intending to settle the current tax asset or liability on a net basis or to simultaneously recover the asset and pay the liability.

Deferred tax assets are recognized to the extent that it is likely that there will be sufficient future taxable income to absorb them. The carrying amounts of deferred tax assets are tested for impairment at the end of each year end and are reduced to the extent that they are not likely to be recoverable.

2.10. Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as "defined contribution" or "defined benefit" plans. The Group's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at year end. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in comprehensive income.

Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations enacted during 2007 introduced – as part of pension reform – significant changes concerning the allocation of the portions accruing of post-employment benefits plan. As a result of these changes, the new flows of post-employment benefits can be directed by workers towards forms of supplementary pension schemes or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the social security institution (in the case of companies with more than 50 employees). On the basis of the generally accepted interpretation of these new rules, the Group decided that:

- post-employment benefits vested at 31 December 2006 but not yet paid at year end are to be classified as defined benefit plans and measured by actuarial methods without, however, including the component relating to future pay increases;
- contributions payable both to supplementary pension schemes and INPS for post-employment benefits vesting subsequent to that date are to be classified as defined contribution plans with exclusion, in calculation of the cost of the year, of actuarial gain or losses.

The valuation of defined benefit plans was carried out by independent actuaries.

2.11. Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain. Such provisions are only recognized to the extent that:

The Company has a present (legal or constructive) obligation owing to a past event;

- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at year end. Where the difference between the present and future value of the provision is significant, the provision is discounted to the present value of the payment required to settle the obligation.

2.12. Revenue recognition

Revenue from services is recognised on the basis of the stage of completion of such work at year end. The progress is then measured with respect to the amount of work performed.

2.13. Financial income and expense

Financial income includes interest income from cash invested, exchange rate gains, dividends, guarantee fees received, gains on disposal of available-for-sale financial assets, increases in the fair value of assets held for trading and derivatives.

Financial expense includes loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets, decreases in the fair value of assets held for trading and derivatives.

2.14. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders. Dividends to be received are recorded only when the Shareholders’ right to receive payment has been established.

2.15. Stock Options

Personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board of directors and certain other group executives, consistentli with the nature of remuneration paid.

The fair value of stock options has been determined by the option's value as determined by the Black & Scholes model which takes into consideration the conditions relating to the exercising of the option, the current share value, and the exercise price, duration of the option, dividends, expected volatility and the risk free interest rate. The cost of stock options, distributed over the entire vesting period, is recognised together with a contra-entry in equity under "Stock options reserve". The fair value of options granted to Executives of INTEK Group S.p.A.'s subsidiaries is recognised as an increase in the carrying amount of "investments" with the contra-entry posted to "Stock options reserve".

2.16. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months.

2.17. Earnings/(losses) per share

Pursuant to IAS 33 para. 4 this kind of information is presented only for consolidated figures.

2.18. Use of estimates

The preparation of the financial statements and notes in accordance with IFRS required the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities.

Estimates are primarily made to determine: the guarantees issued, the useful lives of non-current assets, allowance for impairment, any impairment losses, and the cost of employee benefits, the estimated current and deferred tax charges, the indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At year end, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.19. Accounting standards not yet applied

At 31 December 2013, certain new standards, revisions to standards and interpretations applicable to the Company had not yet become effective and were not used to prepare these financial statements.

The most important included:

IAS 32 – Financial instruments (Improvement) – in December 2011 the IASB published amendments to IAS 32 clarifying the criteria to be able to offset financial assets and liabilities. In December 2012 it was published in the Official Journal of the European Union. The application of the new standard is mandatory from 1 January 2014. Early application is allowed. The amendments must be applied retroactively.

Investment companies (amendments to IFRS 10, IFRS 12, and IAS 27) – The IASB published the amendments in October 2012 and will allow investment companies, under certain conditions, to not proceed with the consolidation of investments based on the concept of control. The European Union has still not completed the process of adopting the document.

IFRS 9 Financial Instruments – The standard, issued in 2009 and subsequently amended, represents the first part of a step-by-step process that has the purpose of entirely superseding IAS 39 and introduces new criteria for the classification and measure of the financial assets and liabilities. The standard must be applied retrospectively starting 1 January 2015 and the European Union has still not completed the endorsement process.

Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36) – The amendments, issued in May 2013 as a consequence of the issuing of IFRS 13, clarify that the disclosure must be limited to the recoverable amount of the asset determined based on the fair value less costs of disposal. The European Union has still not completed the endorsement process.

IFRIC 21 Levies – The interpretation, issued in May 2012, deals with the issues associated with the recognition of levies and indirect taxes owed to the Government for certain activities. The European Union has still not completed the endorsement process.

The adoption of the above mentioned standards, amendments and interpretations is not supposed to produce significant effects on the financial statements.

3. ***Financial risk management***

In reference to the risk management policy, it is noted that the risks of a holding company broadly reflect those of the Group it belongs to. The aforementioned risks are set out in full in the consolidated financial statements as follows:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines require adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information, lines of credit in existence, insurance and the factoring of the greatest part of receivables without recourse;

b) liquidity risk: can arise from the inability to raise working capital financing as and when required. All inflows and outflows and cash balances of Group companies are centrally monitored. The Company intends to meet its cash requirements for the repayment of non-current loans and borrowings and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit and the realization of current investments.

c) currency risk: the main industrial subsidiary of Intek Group operates within an international environment in which transactions are carried out in various currencies and at various interest rates. The exposure to currency risk arises primarily from the geographic location of the markets on which the Group sells its products. It is Group policy to hedge all of the above risks through derivative financial instruments such as cross currency swaps and forward contracts;

d) interest rate risk: the interest rate risk which the Company is exposed to originates mainly from the non-current financial liabilities of its subsidiaries. Floating rate payables expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value. The Group currently has no IRS (interest rate swaps) on the books which convert floating interest rates into fixed interest rates;

e) the commodity price risk (mainly copper): this is most significant strategically for the main industrial subsidiary. The objective is to fully hedge this risk through trading in physical goods or forward contracts on the London Metal Exchange (LME). Specifically, all metal price fixing sales and purchase contracts are netted daily and the change in the net open position is generally hedged by LME contracts so that the company is not exposed to overnight price risk. LME contracts are normally paper deals (i.e., settled through the payment of differentials), whereas trading in physical goods may require delivery of the actual commodity, finished goods or semi-finished products. In actuality both types are physical transactions that could be settled through: cash and cash equivalents of the spread, issuing of another financial instrument or exchange of financial instruments. This is also the case for price fixing sales and purchase contracts with customers and suppliers which, although normally settled by physical delivery, may also be settled prior to the delivery date by squaring positions and can also be used to take advantage of opportunities on the market which would otherwise have to be ignored without, however, making physical delivery of the commodity. The concept of similarity and neutrality for LME and physical goods trading is supported by:

- having analogous methods of execution (physical or payment of differentials);
- having the same reference price (LME quotation);
- being managed through only one risk management "position", changes in which are linked to operational factors, and a single "administrative and accounting" system;
- reliably determining fair value.

The fact that both LME contracts and customer and supplier contracts may both be settled through payment of differential market prices means that, in accordance with paragraph 6b of IAS 39, metal price fixing sales and purchase contracts can, similarly to financial instruments, be accounted for at fair value with changes in fair value recognised in profit or loss under "Purchases and change in raw materials".

4. Notes to the separate financial statements

4.1. Property, plant and equipment:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Plant and equipment	-	-	-
Other assets	399	441	(42)
Property, plant and equipment	**399**	**441**	**(42)**

The changes during the year under review and those of the previous year can be summarized as follows:

(thousands of Euro)	*Plant and equipment*	*Other assets*	*Total*
Cost			
Balance at 31 December 2011	170	925	1,095
Increases due to merger	-	826	826
Increases	-	1	1
Balance at 31 December 2012	170	1,752	1,922
Increases	-	55	55
Balance at 31 December 2013	170	1,807	1,977
Accumulated depreciation			
Balance at 31 December 2011	170	660	830
Increases due to merger	-	626	626
Increases	-	25	25
Balance at 31 December 2012	170	1,311	1,481
Increases	-	97	97
Balance at 31 December 2013	170	1,408	1,578
Carrying amount			
31 Dec. 2011	-	265	265
31 Dec. 2012	-	441	441
31 Dec. 2013	**-**	**399**	**399**

Rates of depreciation for the year were: 12% office furniture and fittings, 20% electronic office equipment, vehicles and 25% security systems.

4.2. Investment property

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Investment property	**257**	**1,557**	**(1,300)**

The balance at 31 December 2013 is equal to Euro 225 thousand consisting of a building located in Torchiarolo (Brindisi) and Euro 32 thousand consisting of a plot of land without construction permission located in Castronno (Varese).

The movements of the item are the following:

Total at 31 December 2012	**1,557**
Decrease	(1,300)
Total at 31 December 2013	**257**

The change compared to the previous year is connected to the sale of a building located in Cernusco sul Naviglio (Milan) which resulted in a loss of Euro 325 thousand.

4.3. Goodwill

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Goodwill	**6,000**	**6,000**	**-**

Goodwill relates to the taking over of creditors agreements in bankruptcies made by two companies merged by Intek during 2008, originally for Euro 5,000 thousand for each company. Impairment testing is carried out at least annually on drawing up the financial statements. The impairment losses on goodwill of Euro 4,000 thousand, recognized over past years by Intek were the result of the reduction in the future cash flows anticipated for the realization of certain contingent assets.

4.4. Intangible assets

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Other	2	2	-
Intangible assets	**2**	**2**	**-**

The intangible assets shown above primarily relate to software and have finite useful lives.

The changes in 2013 were as follows:

(thousands of Euro)		*Total*
Cost		
Balance at 31 December 2011		-
Increases due to merger		6
Balance at 31 December 2012		6
Decrease		(2)
Balance at 31 December 2013		4
Accumulated depreciation		
Balance at 31 December 2011		-
Increases due to merger		4
Balance at 31 December 2012		4
Decrease		(2)
Balance at 31 December 2013		2
Carrying amount		
	31 Dec. 2011	-
	31 Dec. 2012	2
	31 Dec. 2013	**2**

The decreases are relative to the removal of certain completely depreciated assets.

4.5. Investments

Investments in subsidiaries carried as non-current financial assets are as follows:

Name	*Registered office*	*Share/Quota capital*	*Equity as at 31 December 2013 (1)*	*Profit (loss) for 2013*	*Percentage of interest*	*Carrying amount*
Subsidiaries						
KME AG *(2)*	Osnabruck (D)	142,744	296,617	(47,102)	100.00%	380,126
KME Beteiligungsgesellsch.mbH	Osnabruck (D)	1,043	350	(35)	100.00%	1,000
KME Partecipazioni Srl	Florence	47,900	60,249	(3,149)	100.00%	73,000
FEB - Ernesto Breda SpA	Milan	578	7,836	1,503	86.41%	2,365
FEB Investimenti Srl	Milan	10	2	(6)	100.00%	10
I2 Capital Partners SGR SpA	Milan	1,500	2,471	(288)	100.00%	2,501
I2 Real Estate Srl	Ivrea (TO)	110	13,130	(1,509)	100.00%	15,164
Idra International SA	Luxembourg	50,569	(4,862)	(159)	100.00%	-
Inteservice Srl in liq.	Naples	90	(21)	(21)	100.00%	-
Malpaso Srl	Milan	10	(9)	(84)	100.00%	50
Progetto Ryan 2 Srl in liq.	Milan	440	500	(177)	88.00%	400
Rede Immobiliare Srl	Milan	90	1,955	(412)	48.98%	7,900
Tecsinter S.p.A. in liquidation	Ivrea (TO)	100	84	20	100.00%	-
Total subsidiaries						**482,516**
Other investments						**12**
Total investments						**482,528**

Notes

(1) including the profit (loss) for the year

(2) the equity and the loss for the year of the consolidated company KME AG at 31 December 2013, including the goodwill recorded at the consolidated level of Intek Group, were respectively Euro 236,665 thousand and Euro 17,207 thousand.

The movements of the Investments item during 2013 were the following:

(thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	651,482	12	651,494
Reversals of impairment losses	72,631	-	72,631
Impairment losses	(248,266)	-	(248,266)
Balance as at 31 December 2012	**475,847**	**12**	**475,859**
Increases	40	-	40
Decrease	-	-	-
Reversals of impairment losses	9,602	-	9,602
Impairment losses	(2,973)	-	(2,973)
Change for year	**6,669**	**-**	**6,669**
Historical cost	651,522	12	651,534
Reversals of impairment losses	82,233	-	82,233
Impairment losses	(251,239)	-	(251,239)
Balance as at 31 December 2013	**482,516**	**12**	**482,528**

The increases during the year, equal to Euro 40 thousand, referred to:

- Euro 18 thousand in KME AG due to stock options;

- Euro 10 thousand for the purchase of the investment in FEB Investimenti Srl from subsidiary FEB - Ernesto Breda SpA;
- Euro 12 thousand for the purchase of FEB - Ernesto Breda SpA shares from third party shareholders.

The reversal of impairment losses during the year equal to Euro 9,602 thousand referred to the investment in the sub-holding company KME Partecipazioni SpA, which had been impairment in previous years by Euro 24,580 thousand, the assets of which are mainly the equity investments in Cobra AT SpA and ErgyCapital SpA.

The reversal of impairment losses on this investment is connected to the value of the equity investment in Cobra AT SpA, for which the support of an external consultant was used who carried out the appraisal, on the basis of the business plan data for 2013-2016 approved by Cobra AT.

Here below are the main assumptions in the business and financial plan for 2013-2016 of the Services business unit, representing the main business unit of Cobra AT approved by the Board of Directors of Cobra AT in November 2013:

- increase on the Italian market in Smart Insurance subscribers through insurance channels;
- maintenance of satellite subscribers for SVR services;
- increase in online and maintenance services to support car fleets;
- increase in international subscribers through contracts with car manufacturers in order to equip vehicles with boxes to supply online and maintenance SVR services, as original equipment;
- less than proportional growth in operating costs compared to the growth in revenue thanks to the economies of scale created by the increase in the volumes of the services offered;
- significant investments in infrastructure in the first few years of the plan to support the increase in sales volumes.

To support the analysis carried out by the external consultants, we refer also to the subsequent stock exchange listing that confirm the higher amount of the investment and the expressions of interest received.

In order to verify the recovery amount of the equity investment in ErgyCapital, the directors of KME Partecipazioni enlisted the support of an external consultant, who based his studies on the average listings in the first three months of 2014, and found there was no impairment.

The impariment losses during the year, equal to Euro 2,973 thousand, referred to:

- Euro 1,300 thousand in I2 Real Estate Srl in relation to the subsidiary Tecno Servizi Srl which are related also to the impairment loss on the building located in Varedo;
- Euro 800 thousand in Rede Immobiliare and Euro 773 thousand in Malpaso for the impairment loss on the building located in Bologna;
- Euro 100 thousand in Progetto Ryan 2 Srl for additional liquidation expenses connected to the possibility of recovering receivables.

For the equity investments in Idra International SA and FEB Investimenti Srl, adjustments were made to the existing financial receivables, respectively of Euro 400 thousand and Euro 10 thousand, in relation to the losses incurred by the investees.

At 31 December 2013 the directors, in order to check the recoverability of the amount recorded, carried out impairment tests which were approved by the Board of Directors on 28 April 2014.

In particular, for the purposes of assessing the recoverable amount of the investment in KME AG compared to the accounting equity of the subsidiary, the impairment test used for the consolidated financial statements with reference to the copper and copper-alloy semi-finished products sector was used.

For the purposes of the impairment test carried out at 31 December 2012, with the support of an external consultant, the Plan for 2013 -2017 (“the Plan”) was used as prepared at Group level and approved by the Intek Group Board of Directors on 28 April 2014 and by the KME AG Board on 16 April 2014.

Compared to the plan used in previous impairment tests, the plan is characterized by a review downward of the future flows also in light of the results reached during 2013.

- progressive recovery of the sales volumes of approximately 3% annually (the increase in consumption of copper at the global level (CAGR 2012-2016) is 4.5%) up to levels reflected the quantity sold in 2010-2011 are expected to be reached in 2018;
- increase in the added value (CAGR of approximately 5.6%) connected to the stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators that provide for an essentially stable trend;
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- inflation of 3%;
- stable investments equal to approximately 5% of net assets.

The impairment test at year end was determined through the “useful value” using the discounted cash flow (DCF) method by discounting the operating cash flows generated by the assets (net of the tax effect) at a discount rate representative of the average cost of capital (WACC) of 8.7%, increased by an additional premium of 1.5% to reflect the risk inherent in the forecasts taking into account the historical deviations that have been recorded. The DCF method was applied using as a basis the forecasts and changes in some statement of financial position items contained in the aforementioned plan.

The terminal value has been calculated using the assumptions that long-term EBITDA is the EBITDA recorded in the Plan in the last 5 years (explicit period), that amortisation is equal to investments and using a long-term growth rate “g” of zero.

As provided by IAS 36.33, the projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations.

The WACC rate was determined on the basis of the following parameters:

- *risk free-rate:* weighted average of the 10 year government bonds in each country in which the Group operates;
- *market risk premium*: equal to 5%, in line with the Italian valuation practices;
- Cost of debt: 10-year European swap rate at 31 December 2013 plus a 3% spread;
- Unlevered beta: average of the beta coefficients of a sample of comparable listed companies plus an additional risk premium of 2%.

It should be noted that in 2012 the cash flows were discounted using a WACC discount rate of 8.8%, net of taxes. This rate took into account an average risk free rate of 3.23%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year.

The aforementioned impairment was also tested for sensitivity using a WACC from 8.2% to 12.2% and a growth rate “g” from 0 to 2% and an alternative scenario for the calculation of the terminal value assuming that the long-term EBITDA is equal to the average Plan EBITDA for three years at a discount rate representing the average cost of capital (WACC) equal to 8.7% increased by an additional premium of 1.5% to reflect the risks intrinsic in the forecasts taking into account the historic deviations which have been recorded.

The sensitivity analysis did not reveal the need for any impairment on the basis of a “g” growth rate from 0.5% to 2% or an increase in WACC of 2.0%.

The impairment test carried out leads to a minimum equity value of Euro 414.3 million compared to Euro 380.1 million which was the amount at which the equity investment was initially recognized. On the basis of the analyses and findings set out above, no need was seen to make any impairment, also on the basis of the sensitivity analysis described above.

For other investments reference has been made mainly to the equity amount of the investments by adjusting it on the basis of the current values of the related assets.

"Other investments" includes non-controlling investments acquired following the merger with Intek.

4.6. Other non-current assets

The breakdown of the item was as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Other receivables	18	18	-
Other non-current assets	**18**	**18**	**-**

These are items relative to receivables from companies under liquidation and guarantee deposits.

4.7. Non-current financial assets

This item can be broken down as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Investment funds	9,380	17,075	(7,695)
Other bank term deposits	672	672	-
Other receivables due from Group companies	452	4,632	(4,180)
Guarantee fees receivable	47	3,084	(3,037)
Receivables due from Group companies for MCC loan	-	29,953	(29,953)
Receivables due from Unicredit term deposit	-	3,724	(3,724)
Non-current financial assets	**10,551**	**59,140**	**(48,589)**

The stakes in "Investment funds" relate almost entirely to the Intek Group holding (19.1%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The reduction in the amount compared to 31 December 2012 is due to the distributions received of Euro 6,926 thousand, a new payment of Euro 495 thousand and impairment losses made at the end of the year of Euro 1,264 thousand.

During the year, the Mediocredito Centrale SpA (MCC – currently Unicredit SpA) loan granted to Intek Group between 2008 and 2010 which was then used to finance subsidiaries, was transferred to the sub-holding company in the copper sector KME AG. The receivables from group companies for the MCC loans and the Unicredit loan were therefore transferred to the subsidiary.

"Guarantee fees receivable" are the present value of guarantee fees receivables due after 12 months, for guarantees issued by the Company to banks on behalf of the Group companies to which the loans were extended. These receivables are matched by payables of an equal amount. At the end of June 2010, KME Group SpA and its major subsidiaries operating in the copper and copper-alloy semi-finished products sector obtained from a pool of banks an extension of the expiration of credit lines amounting to Euro 475 million from September 2011 to January 2015, increased to Euro 565 million in April 2011. The agreement, which refers to the two lines named "tranche A" (in the form of a revolving credit line used to cover the inventory needs of industrial companies) and "tranche B" (to cover other requirements), closed in 2006 and currently used for an amount approximating the extended amount, represents facilities characterised by broad flexibility of use in relation to the Group's financing needs. Negotiations are underway to finalize the renewal of these lines until July 2016.

The carrying amount of receivables determined in that manner is believed to approximate fair value.

4.8. Trade receivables

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due from customers – gross amount	*933*	*933*	-
Allowance for impairment	*(933)*	*(933)*	-
Due from customers – net amount	-	-	-
From leasing and factoring activities	9,338	10,985	(1,647)
Due from associates	987	1,344	(357)
Trade receivables	**10,325**	**12,329**	**(2,004)**

The receivables for leasing and factoring, which arise from the Intek merger, relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring.

Receivables due from associates refer to fees for loans or administrative services provided.

The carrying amount of trade receivables approximates their fair value.

4.9. Other current receivables and assets

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Tax assets	5,937	6,463	(526)
Receivables due from special situations	3,332	6,882	(3,550)
Prepayments and accrued income	49	183	(134)
Receivables due from associates	36	57	(21)
Other	121	103	18
Other current receivables and assets	**9,475**	**13,688**	**(4,213)**

The "*Tax assets*" include, among other things, receivables for direct taxes of Euro 3,953 thousand (of which an application for reimbursement of Euro 2,500 thousand has been submitted and Euro 482 thousand derive from the transformation of deferred taxes into tax receivables) and V.A.T receivables of Euro 1,984 thousand.

The "*Receivables due from special situations*" mainly contains the receivables arising from bankruptcy proceedings of Euro 3,332 thousand and they are furthermore relative to positions from the previous Finanziaria Ernesto Breda procedure guaranteeing the receivables for its subsidiaries under bankruptcy and compulsory liquidation and shall be collected on the basis of the performance of the bankruptcy proceedings of these companies. The reduction of the item compared to previous year is due to the sale to subsidiary I2 Real Estate Srl of guaranteed receivables from buildings of Euro 3,500 thousand.

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.10. Current loan assets

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Loans to associates	14,770	38,454	(23,684)
Guarantee fees receivable	4,356	5,152	(796)
Investment funds	-	439	(439)
Other	11	15	(4)
Current financial assets	**19,137**	**44,060**	**(24,923)**

Loans to associates include:

- Euro 10,545 thousand balance in the current account held with the sub-holding company KME Partecipazioni SpA;
- Euro 2,014 thousand balance of loans to the subsidiary Culti Srl;
- Euro 679 thousand for the balance on the current accounts held with the copper sector subsidiaries KME AG and KME Yorkshire Ltd;
- Euro 1,169 thousand balance of loans to the subsidiary Quattroduedue SpA;
- Euro 363 thousand for the balance on the current accounts held with the finance sector subsidiaries I2 Real Estate Srl and FEB Investimenti Srl.

The decrease in the item compared to last year is due to the Euro 25,260 thousand transfer of receivables to subsidiaries in the copper sector for the assignment of the MCC loan contract.

"Guarantee fees receivable" are the present value of guarantee fees that are receivable within 12 months, for guarantees issued by the INTEK Group S.p.A. to banks on behalf of the Group companies to which loans were granted.

The total amount of guarantee fees receivable within and beyond twelve months determined in the manner described in note 4.7 was Euro 4,403 thousand which approximates their fair value at 31 December 2013.

The shares held in listed monetary funds were sold during the year.

In reference to the Consob in Communication no. DEM/11070007 of 5 August 2011 which drew on the document issued by the European Securities and Markets Authority (ESMA), it is specified that the company has no investments in sovereign debt securities.

4.11. Cash and cash equivalents

"Cash and cash equivalents" consist of bank and post office accounts and cash on hand.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Bank and post office accounts	926	10,572	(9,646)
Cash on hand	4	4	-
Cash and cash equivalents	**930**	**10,576**	**(9,646)**

Please see the statement of cash flow for the cash flows used in the year.

4.12. Non-current assets held for sale

This is a property relative to the previous lease activity which is expected to be sold during 2014.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Properties held for sale	812	-	812
Non-current assets held for sale	**812**	**-**	**812**

4.13. Equity

The number of subscribed shares is as follows:

	Ordinary shares		*Savings shares*	
	31 Dec. 2013	*31 Dec. 2012*	*31 Dec. 2013*	*31 Dec. 2012*
Issued at 1 January	345,506,670	447,347,650	50,109,818	43,699,416
Annulled due to the public exchange offer	-	(123,465,963)	-	(135,831)
Issued due to merger	-	21,624,983	-	6,546,233
Issued at 31 December	**345,506,670**	**345,506,670**	**50,109,818**	**50,109,818**

The *Share Capital* at 31 December 2013 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares and 50,109,818 savings shares. The shares have no nominal amount. There were no changes during the year.

The Company holds 6,230,691 ordinary treasury shares and 978,543 savings treasury shares for a total amount of Euro 2,543 thousand. These shares were acquired in 2012 following the withdrawal right granted to the shareholders of the merged company Intek.

The breakdown of the item Other Reserves is broken down as follows:

(in Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Legal reserve	5,334,047	5,334,047	-
Share premium reserve	35,652	35,652	-
Available reserve (extraordinary)	15,427,302	22,580,934	(7,153,632)
Reserve for goodwill arising on demerger	-	3,336,965	(3,336,965)
Reserve for treasury shares held	2,542,660	2,542,660	-
Reserve for negative goodwill on Intek merger	-	7,891,571	(7,891,571)
Unavailabe riserve	635,835	635,835	-
Reserves taxable on distribution	3,484,481	3,484,481	-
Deferred tax assets recognised in equity	154,217	220,255	(66,038)
Costs associated with share capital increase	(399,111)	(399,111)	-
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on Employee benefits (TFR)	7,934	-	7,934
Gain/loss reserve for treasury shares	17,578	17,578	-
Other riserve	**26,438,989**	**44,879,261**	**(18,440,272)**

The “*Legal Reserve*”, unchanged on the previous year, may be used to absorb losses.

The “*Share premium reserve*” may, pursuant to art. 2431 of the Italian Civil Code, be distributed to Shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital. It did not change during the year.

The “*Unavailable reserve* ” was recognized during the merger for reconstitution of the same reserve present within Intek pursuant to Legislative Decree 38/2005.

The changes in the “*Available Reserve,*” “*Reserve for goodwill arising on demerger*” and the “*Reserve for negative goodwill on Intek merger*” are connected to the coverage of the losses form the previous year which amounted to Euro 18,382,168.

At the reporting date the “*Stock option reserve*” consisted of the reserve relating to the 2010/2015 Plan for a total of Euro 1,982,620 (of which Euro 1,640,603 relating to 2010, 2011 and 2012 and Euro 342,017 relating to 2013).

“*Retained earnings*” of Euro 72,187,806.55, unchanged on the previous year, are available for use.

The “Convertible loan” refers to the Intek Group 2012/2017 Convertible loan consisting of 4,000 bonds and arising from the merger with Intek which it came under following the merger with Quattrotretre. The convertible bonds will automatically convert (conversion into shares) on their expiry date (i.e. 24 September 2017) into 28,452,150 Intek Group ordinary shares, without prejudice to the repayment option due to Intek Group. The Company will have the right to repay the convertible bonds on their expiry date in cash, informing bondholders of this within sixty working days prior to the expiry date (repayment option, subject to obtaining from the shareholders’ meeting of the issuer of the convertible loan the authorisation pursuant to article 2364, para. 1, no. 5) of the Italian Civil Code as approved with the vote in favour by the majority of the issuer’s shareholders present at the shareholders’ meeting, excluding the shareholder or shareholders who, including jointly, hold the majority stake, including the relative majority, provided that the stake is over 10%. Should the repayment option be exercised, Intek Group will pay bondholders on the expiry date an amount of Euro 8,001.00 for each convertible bond (repayment price), for a total of Euro 32,004,000.

4.14. Employee benefits

This amount is determined based on the vested benefit at year end, in compliance with law, employment contracts and IAS 19.

(thousands of Euro)	*31 Dec. 2012*	*Increases*	*Decrease*	*31 Dec. 2013*
Clerical	178	29	(10)	197
Executives	94	34	(27)	101
IFRS Adjustments	35	-	(7)	28
Employee benefits	**307**	**63**	**(44)**	**326**

There have been no significant impacts from application of the revised version of IAS 19.

4.15. Non-current loans and borrowings

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Financial guarantees issued liability	47	3,084	(3,037)
Unicredit loan (formerly MCC)	-	45,799	(45,799)
GE Capital former Quattrotretre loan	-	4,667	(4,667)
Payables due to Cassa Nazionale Ragionieri (National social security fund for accountants)	-	4,216	(4,216)
Other	-	4	(4)
Non-current loans and borrowings	**47**	**57,770**	**(57,723)**

As already commented the “*Unicredit loan (formerly MCC)*” has already been transferred to the sub-holding company in the copper sector.

The item “*Financial guarantees issued liability*” of Euro 47 thousand is the balancing entry of the item recognized under non-current financial assets of the same origin which represents the fair value of the liabilities assumed against the guarantees issued, having assessed any situations of risk and the consequent of contingent liabilities, pursuant to IAS 37. Since the item contains only guarantees issued for loans obtained by subsidiaries, it is considered that the present value of the commissions to be received, recognized under “current” and “non-current” financial assets, represents the best estimate of fair value of the contingent liabilities in relation to the guarantees issued.

The “*GE Capital former Quattrotretre loan*” which matures on 30 June 2014 was classified among current loans and borrowings.

The “*Payables due to Cassa Nazionale Ragionieri (National social security fund for accountants)*” have been agreed with the counterparty and taken on by I2 Real Estate at the end of 2013.

4.16. Bonds and SFP

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Intek Group 2012 / 2017 Debt Securities (SFP)	46,869	46,472	397
Intek Group 2012/2017 bonds	10,726	10,594	132
Bonds and SFP	**57,595**	**57,066**	**529**

The item relates to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue of debt securities). The Intek Group bonds, with a nominal amount of Euro 0.50, issued and outstanding, amount to 22,655,247, while the Intek Group debt securities with a nominal amount of Euro 0.42 which have been issued and are outstanding are 115,863,263. Both categories of securities have a duration of five years from 2012 to 2017 and have a fixed rate of 8%.

The initial recording of the two categories of securities took place at their fair value determined on the basis of their price. In this regard the price considered was that on the date of the latest issue of the securities, which was Euro 95.27 for the debt securities and Euro 93.16 for the bonds. The price recorded on this date was considered more representative than the previous issues which were influenced by the performance of KME and Intek shares given the possibility of arbitrage between the two debt and equity instruments and the limited disclosure for the two debt securities.

The increase during the year is connected to the accrual of interest implicit in the lower carrying amount compared to the redemption value.

4.17. Other non-current liabilities

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Other payables	1,132	1,205	(73)
Other non-current liabilities	**1,132**	**1,205**	**(73)**

These are debts which originated as part of court-approved agreements with creditors.

4.18. Provisions for risks and charges

A summary of the movements relating to the provisions for risks and charges is as follows:

(thousands of Euro)	*31 Dec. 2012*			*Increases*	*Releases/ uses*	*31 Dec. 2013*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Products warranty provision	1,600	-	1,600	-	(1,600)	-	-	-
Legal risks provision	453	-	453	100	-	553	-	553
Provisions for risks for tax disputes	559	-	559	10	(269)	300	-	300
Provisions for risks on disposal of assets	1,525	-	1,525	-	(13)	1,512	-	1,512
Other provisions for risks and charges	362	-	362	-	(100)	262	-	262
Total	**4,499**	**-**	**4,499**	**110**	**(1,982)**	**2,627**	**-**	**2,627**

The "*Products warranty provision*" was recognized following the merger of the subsidiary Europa Metalli SE.DI SpA to cover the guarantee of the latter's product which had been sold to the Department of Defense. During the year, this was released as the Company's obligation to provide a guarantee ceased to apply.

The "*Legal risks provisions*" have increased by Euro 100 thousand due to an appeal with a negative outcome for the company regarding damages caused by products produced by industrial companies merged in the past.

The “*Provisions for risks for tax disputes*” contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. The provision made covers the whole risk of the dispute.

“*Provisions for risks on disposal of assets*“ mainly relate to the dispute started by Deloro Stellite, arising from the commitments taken over in 1999 by Intek during disposal of Tecknecomp Industrie Riunite SpA in reference to a tax assessment relating to contested higher revenue for the periods guaranteed by Intek. It is noted that Deloro’s appeal, made in agreement with the Intek Group, against the decision of the competent regional tax commission is currently pending before the Court of Cassation.

“Other provisions for risks and charges” contain allocations for disputes with former employees. The release during the year is connected to the closure of a dispute following the ruling on the case.

At the publication date of these financial statements, there were no other significant contingent liabilities.

4.19. Current loans and borrowings

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due to associates	13,931	15,021	(1,090)
Bank loans and borrowings	10,198	10,550	(352)
Shares of expiring loans	9,764	29,285	(19,521)
Financial guarantees issued liability	4,356	5,152	(796)
SFP/Bonds interest cost	1,972	1,972	-
Other liabilities	5	3,761	(3,756)
Current loans and borrowings	**40,226**	**65,741**	**(25,515)**

The “*Due to associates*” item refers to the balance of the current accounts in existence with FEB-Ernesto Breda of Euro 11,901 thousand and I2 Capital Partners SGR of Euro 2,030 thousand concluded at market rates with remuneration equal to Euribor for increased by a spread.

The item “*Bank loans and borrowings*” consists of the use of available lines of credit.

“*Shares of expiring loans*” refer to:

- Euro 5,000 thousand of a loan to GE Capital from Intek, the maturity of which was renegotiated to 31 December 2014;
- Euro 4,764 thousand for the GE Capital former Quattrotretre loan which expires in June 2014.

“*Financial guarantees issued liability*” is the contra-entry of a non-current asset relating to the same guarantees; see note 4.10.

The “*Other liabilities*” at 31 December 2012 contained an amount of Euro 3,750 thousand to Cassa Nazionale Ragionieri taken on by I2 Real Estate at the end of 2013.

The net financial debt with the details of its main components pursuant to Consob Communication no. 6064293 and the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses” is presented in the “Directors’ Report” rather than in these notes.

4.20. *Trade payables*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due to suppliers	1,106	1,793	(687)
Due to subsidiaries and associates	8	424	(416)
Trade payables	**1,114**	**2,217**	**(1,103)**

Last year the item was influenced by debts connected to the merger.

The carrying amount of trade payables is believed to approximate their fair value.

4.21. *Other current liabilities*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Payables to directors for end of office indemnity	2,210	2,410	(200)
Payables due to former lease customers	1,266	1,366	(100)
Payables due to employees	213	130	83
Tax liabilities	183	335	(152)
Payables due to associates	168	382	(214)
Payables due to social security institutions	66	86	(20)
Other payables	3,576	1,005	2,571
Other current liabilities	**7,682**	**5,714**	**1,968**

The "*Payables to directors for end of office indemnity*" refers to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the term of office ended. The Chairman agreed with the Company for payment to be made by 31 December 2014. The amount in question will accrue interest of 5% from 2014.

"*Payables due to former lease customers*" relate to sums received by way of advance from customers and not offset with credit entries.

"*Payables due to employees*" refer to amounts due but not yet settled.

The item "*Tax liabilities*" mainly includes payables due to tax authorities for withholding taxes to be paid (Euro 87 thousand) and taxes accrued in the year (Euro 80 thousand).

"*Other payables*" contain, among other things, the payables due to members of the corporate bodies (for a total of Euro 604 thousand). The increase in the item compared to last year is due to the commissions from subsidiaries which were collected early for Euro 2,340 thousand.

4.22. *Deferred tax assets and liabilities*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Deferred tax assets	8,083	9,669	(1,586)
Deferred tax liabilities	(1,635)	(2,812)	1,177
Deferred tax assets and liabilities	**6,448**	**6,857**	**(409)**

Deferred tax assets and liabilities by financial statements item are shown below:

(thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2013	*31 Dec. 2012*	*31 Dec. 2013*	*31 Dec. 2012*
Investment property	10	10	-	-
Non-current financial assets	-	-	-	290
Trade receivables	6,544	7,465	1,522	1,863
Current financial assets	-	-	-	17
Other non-current payables	-	-	113	642
Provisions for risks and charges	270	714	-	-
Other current liabilities	698	637	-	-
Deferred tax assets on equity items	154	220	-	-
Deferred tax assets on tax losses carried forward	407	623	-	-
Total	**8,083**	**9,669**	**1,635**	**2,812**

Deferred tax liabilities are computed on temporary differences between carrying amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

"*Deferred tax assets on tax losses carry forward*" are recognised only when their recovery is highly probable.

5. ***Commitments and guarantees***

At the end of June 2010, KME Group SpA and its major subsidiaries operating in the copper and copper-alloy semi-finished products sector obtained from a pool of banks an extension of the expiration of credit lines amounting to Euro 475 million from September 2011 to January 2015, increased to Euro 565 million in April 2011. As from November 2012, coinciding with the transaction which led KME Group S.p.A. to merge the activities of Intek S.p.A., besides changing the company name to Intek Group S.p.A., negotiations were started and agreements finalised with all the lending banks in order to contractually establish the German industrial holding company KME AG as Parent in the place of Intek Group S.p.A. (the latter remained solely as guarantor).

Also the agreement signed with GE Commercial Finance for without recourse factoring transactions up to a ceiling of Euro 600 million, which expires in June 2014 and will be renewed until June 2016, was transferred to the German industrial holding company KME AG. Intek Group S.p.A. remained solely as guarantor.

The same thing happened in the first few months of the current year for the loan taken out with Unicredit Mediocredito Centrale (UMCC) for the residual amount of Euro 45.7 million. In this case as well Intek Group remained on only as the guarantor of an amount of Euro 63 million.

Furthermore, guarantees are outstanding for additional bank loans which are good until cancelled and connected to the copper sector of Euro 79 million, of which Euro 30.1 million was extinguished in the first quarter of 2014, as well as guarantees for a V.A.T credit of Euro 1.5 million, half of which expires in 2015 and the other half in 2016.

With reference to the 45,000 Drive Rent S.p.A. shares that were swapped with 17,266,500 Cobra Automotive Technologies S.p.A. shares following the merger with effect as from 1 July 2011, it should be noted that there is a pledge in favour of G.E. Capital S.p.A. to guarantee a loan of Intek S.p.A. prior to the demerger, for which the Intek Group S.p.A. is jointly committed with its subsidiary KME Partecipazioni S.r.l. (now KME Partecipazioni S.p.A.) which, as from 29 June 2011, acquired the investment in Drive Rent S.p.A. now merged into Cobra AT S.p.A.

In addition as from the twelfth month following the effective date of the merger of Drive Rent S.p.A. into Cobra Automotive Technologies S.p.A (Cobra), KME Group S.p.A. granted to the Chief Executive Officer of the merging company, Carmine Carella, for the latter's role in designing and structuring the operation, an irrevocable option for the purchase of up to a maximum of 1,082,010 Cobra shares at their nominal amount. This obligation is subject to the underlying share reaching a specific amount on the Stock Exchange (Euro 1.85/share), among other things.

Furthermore an option was granted to acquire an additional 810,000 ordinary Cobra shares which is exercisable at the price of Euro 2.2 per share in the period from 1/1/2012 to 31/12/2014 in the 90 days subsequent to the sale by KME Group S.p.A. of more than 50% of the Cobra S.p.A. shares it holds, or at any other time subsequent to the end of said period provided that each underlying share on the stock exchange has reached a price of Euro 2.4. In reference to this commitment it should be noted that KME Group S.p.A. remains jointly liable with the subsidiary KME Partecipazioni SpA.

In November 2011, Intek Group issued a surety to secure a loan of Euro 2 million granted by Intesa SanPaolo for the indirect investee ErgyCapital SpA. An additional guarantee was issued, for a loan of Euro 6.1 million, granted by a banking syndicate led by Banca Popolare di Vicenza Scpa, to the company Agricola S. Vito Biogas Srl which is indirectly controlled by ErgyCapital SpA.

In reference to the merged Intek, guarantees were granted for the authorisation of loans to Culti Srl with two guarantees issued to Intesa SanPaolo (Euro 480 thousand) and Monte dei Paschi di Siena (Euro 960 thousand). I2 Real Estate S.r.l. was guaranteed a loan of Euro 3.5 million (original amount on subscription, today the loan has been partially repaid and the residual amount is Euro 1.7 million), while for Tecno Servizi S.r.l. a guarantee was provided for a loan supplied by Mediocredito for an original amount of Euro 7.8 million (residual amount Euro 6.2 million). Finally, in order to guarantee the loan to Malpaso S.r.l., a guarantee was issued for Euro 11.2 million.

Furthermore, the Company has subscribed a share of the I2 Capital Partners Fund with a remaining commitment of Euro 2.8 million.

6. *Notes to the statement of comprehensive income*

It is hereby noted that the statement of comprehensive income for 2012 included only the costs and revenue relative to the merged company Intek for one month only. Therefore 2013 cannot be fully compared with the preceding year.

6.1. *Revenue from sales and services*

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Services to associates	202	2,609	(2,407)	-92.26%
Revenue from sales and services	**202**	**2,609**	**(2,407)**	**-92.26%**

The item "*Revenue from sales and services*" contains only the amounts invoiced for the administrative support to companies belonging to the group. From 2013, services were no longer provided to companies in the copper sector.

6.2. *Other income*

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Income from *"special situations"*	793	-	793	n/a
Other income	**793**	**-**	**793**	n/a

This is net income relative to the special situations activity of Intek which is connected to the court-approved arrangements with creditors.

6.3. *Personnel expense*

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Wages and salaries	(948)	(450)	(498)	110.67%
Social security charges	(282)	(115)	(167)	145.22%
Cost of stock options	(324)	(421)	97	-23.04%
Other personnel expense	(433)	(49)	(384)	783.67%
Personnel expense	**(1,987)**	**(1,035)**	**(952)**	**91.98%**

Other personal expense includes remuneration to consultants (Euro 198 thousand), the costs for the usage of personnel employed by other group companies (Euro 84 thousand), and the accrual to post-employment benefits (Euro 68 thousand).

Average number of employees:

	2013	*2012*	*Change*
Executives	3	1	2
Clerical	9	4	5
Average number of employees	**12**	**5**	**7**

The increase in the average number of employees is a consequence of the merger with Intek.

Starting from 2010 the KME Group S.p.A. stock option plan for 2010–2015 was activated, in replacement of the previous one which was implemented in 2006 and revoked in 2009.

In its meeting of 7 October 2010, the Board of Directors identified the first plan beneficiaries and determined the number of options assigned to them, for a total of 25,500,000 options (the maximum number of options authorized at the Shareholders' Meeting is 31,000,000).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of KME Group SpA ordinary shares at the unit price of Euro 0.295:

- 1/3 starting from 10 October 2011;

- 1/3 starting from 8 October 2012;
- 1/3 starting from 8 October 2013.

The final exercise date is 31 December 2015.

The fair value of stock options (Euro 0.073 per share) has been determined by an independent actuary on the grant date by application of the Black & Scholes model which includes variables regarding the conditions of exercise, current share price, expected volatility (estimated through projection of actual volatility for the past year), the risk free interest rate for the Euro zone, expected dividend yield, and the probability that option holders will meet the requirements to exercise their rights at the end of the vesting period.

The cost of the stock options for the year and therefore the fair value of the services received was determined indirectly with reference to the fair value of the equity instruments granted.

In December 2012, again in execution of the Plan, a further 3,500,000 stock options were granted, at a subscription price of Euro 0.326 per share, one third of which can be subscribed as from the first year after the grant date; a further third as from the second year after the grant date, and the final third as from the third year after the grant date. The final exercise date is 31 December 2015. The fair value of the stock options was determined, in the same way described above, at Euro 0.060.

Further details on the Plan are set out in the "Prospectus" which was prepared at the time and is available on the Company's website and in the Report on Remuneration.

The evolution of the stock option plan at 31 December 2013 is as follows:

No. of options	*31 Dec. 2013*	*31 Dec. 2012*
Options existing as at 1 January	**29,000,000**	**25,500,000**
New options awarded	-	3,500,000
Existing options at end of the period	**29,000,000**	**29,000,000**
of which exercisable	*26,666,667*	*17,000,000*

6.4. Amortisation, depreciation and impairment losses

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Depreciation	(96)	(25)	(71)	284.00%
Amortisation	(1)	-	(1)	n/a
Amortisation, depreciation and impairment losses	**(97)**	**(25)**	**(72)**	**288.00%**

6.5. Other operating costs

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Directors' and Statutory Auditors' fees	(1,789)	(1,544)	(245)	15.87%
Professional services	(1,460)	(1,426)	(34)	2.38%
Travel costs	(254)	(461)	207	-44.90%
Service fees to subsidiaries	-	(4)	4	-100.00%
Legal and company advertising	(138)	(184)	46	-25.00%
Electricity, heating, postal and telephone costs	(51)	(25)	(26)	104.00%
Insurance premiums	(143)	(82)	(61)	74.39%
Training and seminars	(1)	(17)	16	-94.12%
Real estate leases	(445)	(375)	(70)	18.67%
Leases and rentals	(82)	(88)	6	-6.82%
Various tax charges	(108)	(280)	172	-61.43%
Membership fees	(139)	(101)	(38)	37.62%
Other net costs	35	(19)	54	-284.21%
Donations	(236)	(139)	(97)	69.78%
Bank fees	(20)	(11)	(9)	81.82%
Releases of provisions	1,968	-	1,968	n/a
Provision for risks	(110)	-	(110)	n/a
Accrual to directors' end of office indemnity	-	(277)	277	-100.00%
Other operating costs	**(2,973)**	**(5,033)**	**2,060**	**-40.93%**

"O*ther operating costs"* benefit from the release of the product warranty provision.

6.6. Financial income and expense

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Interest income from group companies	*1,045*	*2,402*	(1,357)	-56.49%
Other Financial income and interests	*105*	*38*	67	176.32%
Commissions on guarantees given	*5,441*	*5,168*	273	5.28%
Reversal of impairment losses of investments	*9,602*	-	9,602	n/a
Dividends	*2*	-	2	n/a
Total financial income	16,195	7,608	8,587	112.87%
Interest expense to group companies	*(384)*	*(93)*	(291)	312.90%
Loan interest expense	*(1,534)*	*(1,332)*	(202)	15.17%
Interest expense on securities issued	*(5,328)*	*(1,758)*	(3,570)	203.07%
Impairment losses of investment and securities	*(4,652)*	*(18,379)*	13,727	-74.69%
Other financial expense	*(432)*	*(95)*	(337)	354.74%
Total financial expense	(12,330)	(21,657)	9,327	-43.07%
Net financial expense	**3,865**	**(14,049)**	**17,914**	**-127.51%**

"Financial income" consists mainly of:

- reversal of impairment losses of KME Partecipazioni of Euro 9,602 thousand;
- commissions payable to Group companies for guarantees given, as mentioned above, totalling Euro 5,441 thousand;
- interests of Euro 1,045 thousand accrued on intercompany current accounts at market rates and on the Unicredit SpA loan (formerly Mediocredito Centrale) transferred to the subsidiaries.

“Financial expense” consists mainly of:

- impariment losses of equity investments, financial receivables and shares of funds of Euro 4,652 thousand;
- interest on debt securities issued during the public exchange offers for Euro 5,328 thousand, of which Euro 4,290 thousand for SFP and Euro 1,038 thousand for bonds;
- interest payable to banks for short and medium/long-term loans of Euro 1,534 thousand;
- interest payable to Group companies on intercompany accounts at market rates amounting to Euro 384 thousand;

6.7. Current and deferred taxes

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Current taxes	(61)	(99)	38	-38.38%
Deferred taxes	100	(751)	851	-113.32%
Current and deferred taxes	**39**	**(850)**	**889**	**-104.59%**

Since 2007, INTEK Group SpA and most of its Italian subsidiaries have elected to apply the “national tax consolidation arrangement”, so that IRES (Italian corporate income tax) is computed on a tax base equal to the algebraic sum of the taxable profit/loss of each company participating in the arrangement. Financial relationships, responsibilities and reciprocal obligations are set out in the agreement and terms and conditions regarding the national tax consolidation arrangement by which the Parent and/or subsidiaries with tax losses receive a payment equal to the relevant tax savings realised by the Parent and/or subsidiaries with taxable profit.

Reconciliation of theoretical tax charge and the effective charge:

(thousands of Euro)	*2013*	*2012*
Loss before taxes	(197)	(17,532)
Tax charge at theoretical rate	54	4,821
- Impairment losses of securities and investments that are non-deductible/non-taxable	1,586	(4,963)
- Other	(1,519)	(609)
- Previous year taxes	(82)	134
- IRAP	-	(233)
Total effective tax charge	**39**	**(850)**

Taxes recognised directly in equity

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Share capital increase-related expenses	-	44	(44)	-100.00%
Merger costs	-	155	(155)	-100.00%
Taxes recognised in equity	**-**	**199**	**(199)**	**-100.00%**

In the year under review no taxes were directly recognized in equity, while taxes which were previously recognised directly in equity in the amount of Euro 67 thousand were released.

7. Other information:

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Financial assets recognised at fair value through profit or loss	13,794	25,765	(11,971)
Held-to-maturity investments	-	-	-
Loans and receivables	30,705	97,006	(66,301)
Investments in subsidiaries and other companies	482,528	475,859	6,669
Financial liabilities recognised at fair value through profit or loss	(4,403)	(8,236)	3,833
Financial liabilities at amortised cost	(103,210)	(181,182)	77,972
Financial instruments by category			

7.2. Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items at 31 December 2013:

(thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in subsidiaries	482,528	-	-	482,528
Other non-current assets	18	18	-	-
Non-current financial assets	10,551	1,124	9,427	-
Trade receivables	10,325	10,325	-	-
Other current receivables and assets	9,475	3,538	-	5,937
Current financial assets	19,137	14,770	4,367	-
Cash and cash equivalents	930	930	-	-
Total financial assets	**532,964**	**30,705**	**13,794**	**488,465**
Non-current loans and borrowings	(47)	-	(47)	-
Bonds and SFP	(57,595)	(57,595)		-
Other non-current liabilities	(1,132)	(1,132)	-	-
Current financial loans and borrowings	(40,226)	(35,870)	(4,356)	-
Trade payables	(1,114)	(1,114)	-	-
Other current liabilities	(7,682)	(7,499)	-	(183)
Total financial liabilities	**(107,796)**	**(103,210)**	**(4,403)**	**(183)**

7.3. Exposure to credit risk and impairment losses

The carrying amount of financial assets represents the maximum exposure to credit risk of Intek Group SpA.

The ageing of trade receivables from current transactions at year end was as follows:

(thousands of Euro)	*Gross carrying amount*	*Impairment at 31 December 2013*	*Net Carrying amount*
Not yet due	987	-	987
over 1 year past due	933	(933)	-
Trade receivables	**1,920**	**(933)**	**987**

There were no changes in the allowance for impairment of Euro 933 thousand.

7.4. Currency risk

Intek Group SpA had no financial statements items or sale or purchase commitments denominated in foreign currencies at year end.

7.5. Interest rate exposure

The interest rate structure of interest-bearing financial instruments at 31 December 2013 was as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Financial assets	-	-
Financial liabilities	(57,595)	(57,066)
Fixed rate instruments	**(57,595)**	**(57,066)**
Financial assets	15,442	77,435
Financial liabilities	(33,897)	(113,303)
Floating rate instruments	**(18,455)**	**(35,868)**

The fixed rate financial liabilities relate to debt instruments issued during the public exchange offers.

7.6. Sensitivity analysis of the cash flows of floating rate financial instruments

A 50 basis point increase (decrease) in interest rate receivable or payable at year end would have led to an insignificant impact on equity and to the loss for the year.

7.7. Fair value and carrying amount

Pursuant to IFRS 7 para. 25 we declare that the carrying amounts of the financial assets and liabilities recognised in these consolidated financial statements do not diverge from their fair value.

7.8. Fair value hierarchy

IFRS 7, para. 27A requires financial instruments recognised at fair value in the statement of financial position to be classified with reference to a hierarchy of levels, based on the significance of the input used to determine fair value.

The standard stipulates three levels:

Level 1 - listed prices on an active market for the asset or liability to be measured;

Level 2 - inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs not based on observable market data.

The financial instruments recognized in the statement of financial position and statement of comprehensive income at fair value, are guarantees issued and shares of closed and restricted investment funds that fall under level three. Their fair value is determined by applying a rate considered to be representative of the risk assumed. No income or charges were recognised in the year in profit or loss or in equity.

There were no transfers in 2013 between Levels 1 and 2.

7.9. Other financial obligations

Below is a summary showing the minimum irrevocable payment obligations under operating leases at year end:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
within 1 year	303	319
from 1 to 5 years	21	42
due after 5 years	-	-
Minimum irrevocable payments	**324**	**361**

7.10. Detail of related party transactions

The table below shows the relations involving payables, recevivables, costs and revenue with related parties. Please see the comments under the individual items for information regarding the nature of the transaction.

(thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial assets*	*Loans and borrowings*	*Suppliers*	*Other current liabilities*
Breda Energia SpA in liquidation	-	30	-	-	-	-	-
Bredafin Innovazione SpA in liquidation	-	30	-	-	-	-	-
Culti Srl	-	-	-	2,014	-	(2)	-
EM Moulds Srl	-	4	-	-	-	-	-
ErgyCapital SpA	-	133	-	-	-	-	-
FEB-Ernesto Breda SpA	-	42	-	-	(11,901)	-	-
FEB Investimenti Srl	-	6	-	25	-	-	-
Idra International SA	277	-	-	-	-	-	-
I2 Capital Partners SGR SpA	-	59	-	-	(2,030)		(90)
I2 Real Estate Srl	-	-	-	337	-	-	-
Immobiliare Agricola Limestre Srl	-	1	-	-	-	-	-
Inteservice Srl in liquidation	-	-	28	-	-	-	-
KME AG	-	14	-	388	-	-	-
KME Brass France Sas	-	19	-	-	-	-	-
KME Brass Germany Gmbh	-	30	-	-	-	-	-
KME Brass Italy Srl	-	31	-	-	-	-	-
KME France Sas	-	54	-	-	-	-	-
KME Germany & CO KG Gmbh	-	44	-	-	-	(5)	-
KME Italy SpA	-	100	-	-	-	(1)	-
KME Partecipazioni SpA	-	-	-	10,545	-	-	-
KME Recycle Srl	-	3	-	-	-	-	-
KME Solar Italy Srl	-	14	-	-	-	-	-
KME Spain SA	-	35	-	-	-	-	-
KME Yorkshire Ltd	-	175	-	291	-	-	-
New Cocot Srl in liquidation	175	-	-	-	-	-	-
Quattroduedue Holding BV	-	-	8	-	-	-	-
Quattroduedue SpA	-	18	-	1,169	-	-	(65)
Società Agr. San Vito Biogas Srl	-	146	-	-	-	-	-
Directors/Statutory Auditors	-	-	-	-	-	(117)	(2,813)
Receivables for guarantees issued	47	-	-	4,357	-	-	-
Payables for tax consolidation	-	-	-	-	-	-	(14)
	499	**988**	**36**	**19,126**	**(13,931)**	**(125)**	**(2,982)**

(thousands of Euro)	*Revenue from sales and services*	*Other operating income*	*Personnel expense*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia SpA in liquidation	25	-	-	-	-	-
Bredafin innovazione SpA in liquidation	25	-	-	-	-	-
Culti Srl	-	-	-	-	58	-
EM Moulds Srl	-	-	-	-	6	-
ErgyCapital SpA	-	-	-	-	143	-
FEB-Ernesto Breda SpA	35	-	-	-	-	(330)
FEB Investimenti Srl	3	-	-	-	-	-
Idra International SA	-	-	-	-	117	-
I2 Capital Partners SGR SpA	99	-	(84)	(6)	-	(48)
I2 Real Estate Srl	-	-	-	(316)	102	-
Immobiliare Agricola Limestre Srl	-	-	-	-	-	-
KME AG	-	-	-	-	415	-
KME Brass France Sas	-	-	-	-	82	-
KME Brass Germany Gmbh	-	-	-	-	96	-
KME Brass Italy Srl	-	-	-	-	68	-
KME France Sas					157	
KME Germany & CO KG Gmbh	-	-	-	(13)	4,563	-
KME Italy SpA	-	-	-	(20)	206	-
KME Partecipazioni SpA	-	-	-	-	168	(117)
KME Recycle Srl	-	-	-	-	6	-
KME Solar Italy Srl	-	-	-	-	-	-
KME Spain SA	-	-	-	-	52	-
KME Yorkshire Ltd	-	-	-	-	59	-
New Cocot Srl in liquidation	-	-	-	-	-	-
Quattroduedue Holding BV	-	-	-	-	-	-
Quattroduedue SpA	15	-	-	-	15	(66)
Rede Immobiliare Srl	-	-	-	-	1	-
Società Agr. San Vito Biogas Srl	-	-	-	-	77	-
Tecno Servizi Srl	-	-	-	-	95	-
Stock Options	-	-	(325)	-	-	-
Directors/Statutory Auditors	-	-		(1,788)	-	-
Impairment losses on investments	-	-			9,602	(3,383)
	202	**-**	**(409)**	**(2,143)**	**16,088**	**(3,944)**

7.11. Disclosure of payments for services rendered by the Independent Auditors

In accordance with article 149 *duodecies* of the “Issuers Regulation”, the following table shows the payments made during the year for services provided by the Independent Auditors, KPMG S.p.A. and its subsidiaries:

(thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	1,239	142	1,097
b) fees other than audit			
- attestation services relating to			
financial covenants, fairness opinions	4	-	4
- other fees	20	-	20
c) fees charged by network companies	41	-	41
Independent auditors’ fees	**1,304**	**142**	**1,162**

Annexes to the notes to separate financial statements:

List of investments at 31 December 2013 and the changes compared to 31 December 2012

Investments (Euro)	Notes	Par Value	Balance as at 31 December 2012		Changes in the period (+ / -)		Adjustments	Balance as at 31 December 2013				Value on the stock Exchange at 31 December 2013		Difference
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average book value	Book value	Unit Value	Countervalue	
Subsidiaries and other shareholdings (recogn. under fin. fixed assets)														
KME A.G.		no nominal value	27,918,276	380,109,311	-	17,637	-	27,918,276	100.00%		380,126,948			
KME Germany Beteiligungs Gmbh			-	1,000,000	-	-	-	-	100.00%		1,000,000			
KME Partecipazioni SpA		1	47,900,000	63,398,000	-	-	9,602,000	47,900,000	100.00%		73,000,000			
I2 Capital Partners SGR SpA		1	1,500,000	2,500,760	-	-	-	1,500,000	100.00%		2,500,760			
FEB - Ernesto Breda SpA		no nominal value	2,313,179,255	2,352,154	1,717,083	12,495	-	2,314,896,338	86.41%		2,364,649			
FEB Investimenti Srl		10,000	-	-	-	10,000	-	-	100.00%		10,000			
I2 Real Estate Srl		110,000	1	16,463,673	-	-	(1,300,000)	1	100.00%		15,163,673			
Malpaso Srl		10,000	1	823,343	-	-	(773,343)	1	100.00%		50,000			
Rede Immobiliare Srl		49,100	1	8,700,000	-	-	(800,000)	1	48.98%		7,900,000			
Idra International SA		50,569,400	1	1	-	-	-	1	100.00%		1			
Intomalte SpA		516	200	1	-	-	-	200	20.00%		1			
Interservice Srl in liquidation		90,000	1	1	-	-	-	1	100.00%		1			
Tecsinter Srl in liquidation		100,000	1	1	-	-	-	1	100.00%		1			
Newcocot Srl in liquidation		2,780	1	1	-	-	-	1	27.80%		1			
Progetto Ryan 2 Srl in liquidation		387,200	1	500,000	-	-	(100,000)	1	88.00%		400,000			
Total				**475,847,246**		**40,132**	**6,628,657**				**482,516,035**			**-**
Subsidiaries and other shareholdings (recogn. under current assets)														
Total				**-**		**-**	**-**				**-**			**-**
Subsidiaries and other shareholdings (rec. under current assets - held for sale)														
Total				**-**		**-**	**-**				**-**			**-**
Treasury Shares (recognized as a reduction of consolidated equity)														
Intek Group S.p.A. savings shares		no nominal value	978,543	569,427	-	-		978,543	-	0.5819	569,427	0.3980	389,460	179,967
Intek Group S.p.A. savings shares		no nominal value	6,230,691	1,973,323	-	-		6,230,691	-	0.3167	1,973,323	0.3320	2,068,589	(95,266)
Total				**2,542,750**		**0.00**	**-**				**2,542,750**			**84,701**
Total				**478,389,996**			**6,628,657**				**485,058,785**			

List of indirect investments at 31 December 2013

Company Name	Notes	Reg. Office	Activity	Currency	Share Capital	% if Investments	Investor comapny	Total investments
AMT - Advanced Mould Technology India		India	Industrial	INR	28,766,250	90.61%	KME Germany Gmbh & Co. K.G.	90.61%
Bertram's GmbH		Germany	Services	Euro	300,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
Breda Energia SpA in Liquidation		Italy	not operating	Euro	5,164,569	99.95%	Bredafin Innovazione SpA in LCA	100.00%
Breda Energia SpA in Liquidation						0.05%	FEB - Ernesto Breda SpA	
Bredafin Innovazione Spa in Liquidation		Italy	not operating	Euro	104,841	100.00%	FEB - Ernesto Breda SpA	100.00%
bvba KME Benelux sprl		Belgium	Business	Euro	62,000	84.70%	KME Germany Gmbh & Co. K.G.	100.00%
						15.30%	KME France S.A.S.	
Cobra Automotive Technologies SpA	(5)	Italy	Services	Euro	11,647,353	51.40%	KME Partecipazioni SpA	51.40%
Culti A.G. in liquidazione		Switzerland	Business	CHF	100,000	100.00%	Culti Srl	100.00%
Culti Srl		Italy	Furnishing	Euro	100,000	100.00%	KME Partecipazioni SpA	100.00%
Culti USA LLC		USA	Business	$US	-	100.00%	Culti Srl	100.00%
Cuprum S.A.U.		Spain	Services	Euro	60,910	100.00%	KME Spain S.A.U.	100.00%
Dalian Dashan Chrystallizer Co. Ltd.	(4)	China	Industrial	RMB	40,000,000	70.00%	KME A.G.	70.00%
Dalian Dashan Heavy Machinery Co. Ltd.		China	Industrial	RMB	20,000,000	70.00%	KME A.G.	70.00%
Dalian ETDZ Surface Machinery Co. Ltd.	(4)	China	Industrial	RMB	10,000,000	70.00%	KME A.G.	70.00%
Editoriale Fiorentina Srl	(1)	Italy	Publishing	Euro	1,000,000	7.13%	KME Italy SpA	7.13%
EM Moulds Srl		Italy	Business	Euro	115,000	100.00%	KME Italy SpA	100.00%
ErgyCapital SpA (azioni ordinarie)	(6)	Italy	Services	Euro	26,410,666	58.49%	KME Partecipazioni SpA	60.06%
Europa Metalli - Tréfimétaux U.K. Ltd.		UK	not operating	LST	500,000	100.00%	KME Yorkshire Ltd.	100.00%
Evidal Schmoele Verwaltungsgesellschaft mbH	(1)	Germany	not operating	Euro	30,000	50.00%	KME A.G.	50.00%
Fricke GmbH		Germany	Industrial	Euro	50,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
GreenRecycle Srl		Italy	Trading of metals	Euro	500,000	100.00%	KME Recycle Srl	100.00%
HC Srl		Italy	Business	Euro	10,000	100.00%	Culti Srl	100.00%
Il Post Srl	(1) (7)	Italy	Services	Euro	207,550	18.80%	KME Partecipazioni SpA	18.80%
Immobiliare Agricola Limestre Srl		Italy	Real Estate	Euro	110,000	100.00%	KME A.G.	100.00%
Irish Metal Industries Ltd.		Ireland	Business	Euro	127	100.00%	KME Yorkshire Ltd.	100.00%
kabelmetal Messing Beteiligungs GmbH, Osnabrück		Germany	Real Estate	Euro	4,512,200	100.00%	KME A.G.	100.00%
KME – MAGMA Service Ukraine LLC	(2)	Ukraine	Business	UAH	14,174,217	70.00%	KME Germany Gmbh & Co. K.G.	70.00%
KME Srl		Italy	Finance	Euro	115,000	100.00%	KME A.G.	100.00%
KME (Suisse) S.A.		Switzerland	Business	FS	250,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME AG		Germany	Holding	Euro	142,743,879	100.00%	Intek Group SpA	100.00%
KME America Inc.		USA	Business	USD	5,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME America Marine Holding Inc.	(2)	USA	Business	USD	2,600,000	61.54%	KME Germany Gmbh & Co. K.G.	100.00%
						38.46%	KME America Inc.	
KME America Marine Tube, LLC	(2)	USA	Engineering	USD	3,150,000	82.51%	KME America Marine Holding Inc.	82.51%
KME Asia Pte. Ltd.		Singapore	Business	$SG	200,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Brass France S.A.S.		France	Industrial	Euro	7,800,000	100.00%	KME France S.A.S.	100.00%
KME Brass Germany GmbH		Germany	Industrial	Euro	50,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Brass Italy Srl		Italy	Industrial	Euro	15,025,000	100.00%	KME Italy SpA	100.00%
KME Chile Lda.		Chile	Trading of metals	PSC	9,000,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Czech Republic S.r.o. in liquidazione		Czec Rep.	Business	CZK	100,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME France S.A.S.		France	Industrial	Euro	15,000,000	100.00%	KME A.G.	100.00%
KME Germany Bet. GmbH		Germany	Industrial	Euro	1,043,035	100.00%	Intek Group SpA	100.00%
KME Germany GmbH & Co. KG		Germany	Industrial	Euro	180,500,000	100.00%	KME A.G.	100.00%
KME Germany Holding Gmbh	(2)	Germany	Holding	Euro	25,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Grundstuecksgesellschaft AG & Co. KG	(2)	Germany	Business	Euro	49,900	99.00%	KME A.G.	100.00%
						1.00%	KME Verwaltungs - und	
KME Hungaria Szinesfem Kft. in liquidazione		Hungary	Business	HUF	3,000,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Ibertubos S.A.U.		Spain	Industrial	Euro	332,100	100.00%	KME Spain S.A.U.	100.00%
KME India Private Ltd.		India	Business	INR	5,897,750	99.80%	KME Germany Gmbh & Co. K.G.	100.00%
						0.20%	KME A.G.	
KME Italy S.p.A		Italy	Industrial	Euro	103,839,000	100.00%	KME A.G.	100.00%
KME Kalip Servis A.S.		Turkey	Business	TRY	50,000	85.00%	KME Germany Gmbh & Co. K.G.	85.00%
KME Marine Service America LLC		USA	Industrial	USD	1,000	100.00%	KME America Marine Holding Inc.	100.00%
KME Metals (Shanghai) Trading Ltd.		China	Business	USD	100,000	100.00%	KME A.G.	100.00%
KME Moulds Mexico S.A. de C.V.		Mexico	Business	MXN	7,642,226	99.00%	KME A.G.	100.00%
						1.00%	Kabelmetal Messing Bet. GmbH,	
KME Moulds Service Australia PTY Ltd.		Australia	Business	AUD	100	65.00%	KME Germany Gmbh & Co. K.G.	65.00%
KME Partecipazioni SpA		Italy	Holding	Euro	47,900,000	100.00%	Intek Group SpA	100.00%
KME Polska Sp.z.o.o.		Poland	Business	PLZ	250,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Recycle Srl		Italy	Holding	Euro	2,000,000	100.00%	KME A.G.	100.00%
KME Service Russland Ltd.		Russia	Business	RUB	10,000	70.00%	KME Germany Gmbh & Co. K.G.	70.00%
KME Solar Italy Srl		Italy	Architectural Solutions	Euro	10,000	98.00%	KME Germany Gmbh & Co. K.G.	98.00%
KME Spain S.A.U.	(3)	Spain	Business	Euro	92,446	100.00%	KME A.G.	100.00%
KME Stolberg GmbH	(2)	Germany	Industrial	Euro	1,000,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Verwaltungs - und		Germany	not operating	Euro	10,225,838	100.00%	KME A.G.	100.00%
KME Yorkshire Ltd.		UK	Industrial	LST	10,014,603	100.00%	KME A.G.	100.00%
Metalcenter Danmark A/S	(1)	Denmark	Holding	DKK	1,524,880	30.00%	KME Germany Gmbh & Co. K.G.	30.00%
P.H.M. Pehamet Sp.Zo.o.		Poland	Business	PLN	7,865,000	59.79%	KME Germany Gmbh & Co. K.G.	59.79%
Rede Immobiliare Srl		Italy	Real Estate	Euro	90,000	48.98%	Intek Group SpA	100.00%
						51.02%	Malpaso Srl	
Société Haillane de Participations S.A.		France	not operating	Euro	40,000	99.76%	KME France S.A.S.	99.76%
Special Steels & Alloys S.E. Asia Pte Ltd.	(1) (2)	Singapore	Business	$SG	400,100	25.00%	KME Germany Gmbh & Co. K.G.	25.00%
Tecno Servizi Srl		Italy	Real Estate	Euro	50,000	100.00%	I2 Real Estate Srl	100.00%
Valika S.A.S.		France	Trading of metals	Euro	200,000	51.00%	KME Recycle Srl	51.00%
XT Ltd.		UK	not operating	LST	430,000	100.00%	KME Yorkshire Ltd.	100.00%
Yorkshire Copper Tube		UK	not operating	LST	3,261,000	100.00%	KME Yorkshire Ltd.	100.00%
Yorkshire Copper Tube (Exports) Ltd.		UK	not operating	LST	-	100.00%	Yorkshire Copper Tube	100.00%
Zahner KME GmbH	(1)	Germany	Business	Euro	25,000	50.00%	KME Germany Gmbh & Co. K.G.	50.00%

(1) - Shareholding equal to or less than 50%.
(2) - Investments made in 2013.
(3) - KME Spain trasformed from S.A. to S.A.U. on 26 September 2013 and shareholding transferred to KME A.G.on 10 December 2013.
(4) - Change in the share capital: Dalian Dashan Chrystallizer Co. Ltd.2013 from RMB 10,000,000 to RMB 40,000,000 (2012); Dalian ETDZ Surface Machinery Co. Ltd. from RMB 5,500,000 to RMB 10.000.000 (2012).
(5) - Diluted control.
(6) - Joint control with other entity that does not belong to the Group.
(7) - Change from 30.43% due to the increase in the share capital reserved for other parties.
N.B. - KME Engineering Srl was liquidated on 19 December 2013.

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED.

1. Having regard to the requirements of article 154 *bis,* paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of Intek Group SpA, hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting policies in the preparation of the 2013 separate financial statements.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the separate financial statements:
      a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
      b) reflect the balances recorded in the companies' books and accounting records;
      c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer.

   3.2 the Directors' Report contains a reliable analysis of the operating performance and results and the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 28 April 2014

The Chairman	The Manager in charge of Financial Reporting
Vincenzo Manes	*Giuseppe Mazza*
(signed on the original)	*(signed on the original)*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements at 31 December 2013

(Translation from the Italian original which remains the definitive version)

Dear Shareholders,

The Board of Statutory Auditors hereby reports on the draft financial statements approved during the meeting of the Board of Directors of 28 April 2014 – within the scope of its responsibilities pursuant to article 153 of Legislative Decree no. 58 of 24 February 1998 – taking into account other specific provisions in force.

This report is divided into chapters, in compliance with CONSOB disclosure requirements.

Significant events occurred in 2013

The main transcations carried out by the holding company during the year consist of:

- transfer of the Unicredit Mediocredito Centrale (UMCC) loan for a residual amount of Euro 45.7 million to the subsidiary KME A.G.;
- agreement with the *Cassa Nazionale Assistenza e Previdenza dei Ragionieri* for payment of the liability of Euro 7.5 million plus interest through the transfer of real-estate held by the subsidiary I2 Real Estate S.r.l., which took on the relative liability as part of the intercompany financing.

These transactions present no irregularities.

Atypical or unusual transactions, including intragroup or related party transactions

The Board has not detected any atypical or unusual transactions during the year.

The related party transaction, which have been analyzed by the Control and Risks Committee are the following:

- granting of a loan of Euro 3,100 thousand by the subsidiary FEB - Ernesto Breda S.p.A. to Quattroduedue S.p.A., the direct parent of Intek Group S.p.A.;
- the sale of 526 2012-2017 Intek Group convertible bonds against Euro 3,156 thousand by Quattroduedue S.p.A. to FEB- Ernesto Breda S.p.A., for repayment of the above-mentioned loan and the relative interests.

The Board did not detect any critical areas in relation to said transactions.

For the ordinary transactions please see the details and comments provided in the Notes, which are exhaustive.

These transactions mainly relate to the sale of goods and services, also of a financial and organisational nature, and no factors have been identified that suggest they were not conducted on an arm's length basis.

Observations or reference to disclosed information by the independent auditors / reports by Shareholders pursuant to article 2408 of the Italian Civil Code / representations.

During its periodic meetings, the Board of Statutory Auditors did not receive any information or reference to disclosed information from the Independent Auditors, nor did it receive communications from the latter during the meetings held in order to prepare this report, regarding the existence of observations and/or reference to disclosed information relating to the financial statements.

The directors' report contains information regarding the lawsuits brought by several shareholders against the merger of INTEK S.p.A. and KME Group S.p.A., which have already been described in the 2012 report.

No reports and statements have been submitted by shareholders pursuant to article 2408 of the Italian Civil Code.

Independent Auditors' services

In addition to auditing, for which independent auditors' total consideration of Euro 142 thousand was paid by the Parent, further Euro 1,100 thousand were paid by the Group for audit services.

The independent auditors and/or individuals related to the latter on an ongoing basis did not receive additional mandates from the parent, while subsidiaries granted mandates amounting to Euro 69 thousand.

There were no critical aspects regarding the independence of the independent auditors.

Opinions issued by KPMG in compliance with legal requirements

In 2013, the Independent Auditors, KPMG, **issued no comments pursuant to the law.**

Supervisory activities and information acquired by the Board of Statutory Auditors

During 2013, the members of the Board of Statutory Auditors participated in the Shareholders' Meetings held on 30 April 2013 and the meetings of the Board of Directors held on 27 March, 14 May, 2 August, 13 November 2013 and 20 March 2014.

During 2013, the Board had six meetings, and specifically: on 13 February, 5 March, 8 April, 3 June, 23 July and 18 November pursuant to article 2404, of the Italian civil code. In 2014, the Board met on 13 January and 8 April.

The Statutory Auditors also met with the Independent Auditors and were in constant contact with the Company's management.

The Board of Statutory Auditors also attended a meetings of the company's Internal Control Committee held on 17 June 2013 to obtain relevant information.

Exhaustive information on the various corporate bodies of the company is contained in the Report on Corporate Governance accompanying the financial statements.

In the performance of its supervisory activities, at meetings and in frequent discussions, the Board of Statutory Auditors:

a) confirmed compliance with legal requirements and the Articles of Association during the year;
b) confirmed compliance with the principles of proper management, the existence of a satisfactory management structure and an adequate internal control system;
c) confirmed that no information of particular relevance emerged at meetings with KPMG and the Directors, including pursuant to article 150 of Legislative Decree 58/1998;
d) confirmed that subsidiaries provided all the information required by law and the Parent provided all the appropriate provisions required also by article 114, paragraph 2 of Legislative Decree 58/1998;
e) where it was considered necessary, the Board also had contacts with certain members of the board of statutory auditors of certain subsidiaries, or with the persons in charge at the relative audit company;
f) verified that all impairment testing procedures at Group level took place with the support of the appropriate independent advisors, in this case PricewaterhouseCoopers Advisory S.p.A.;
g) confirmed that the Company has published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes. No instances of non-compliance came to the attention of the Board of Statutory Auditors in the performance of its supervisory activities;
h) during 2013, participated in the meetings of the Remuneration Committee held on 21 March, 27 March and 20 December 2013 and on 28 April 2014 and in the meetings

of the Control and Risks Committee held on 27 March, 2 August, 13 November and 20 December 2013 and 28 April 2014;

i) requested and received from management continuous updates and information on pending litigation, detailed information on which is not outlined herein since it is contained in the Directors' Report.

j) confirmed that the company's organisational structure is adequate in terms of the coordination activity of the group;

k) confirmed that the company complied with the code of conduct issued by Borsa Italiana S.p.A.;

l) confirmed that the company has regularly established the "Remuneration Committee" and the "Control and Risks Committee," both being committees that operated regularly throughout 2013;

m) Confirmed that the Board is comprised of five independent directors, a number which is considered adequate for the operations of the Board;

n) confirmed that the Managing Directors reported to the Board the operations carried out in terms of the delegations conferred upon them;

o) that in 2013, the Board reviewed the main internal control procedures and in their meeting of 28 April 2014 approved the new model pursuant to law 231/2001 appointing as members of the Supervisory Body individuals that are not part of the company and assigning to persons external to the company the internal audit work.

The Board of Statutory Auditors carried out the periodic verification of the existence, for each of its own members, of the requirement for "independence" and "professionalism," and also verified the independence requirements of the members of the Board of Directors and in general, that there were no reasons preventing the offices assigned, and also compliance with the plurality of offices and the interlocking rules.

Analysis of the 2013 separate financial statements

The separate financial statements at 31 December 2013 show a loss for the year of Euro 158 thousand.

In particular, the directors indicated in their report how, in regard to the investee KME Partecipazioni S.p.A., a reversal of impairment losses of Euro 9,602 thousand was carried out in relation to the increase in investment in Cobra AT S.p.A., supported by the cash flow analysis conducted by an independent external advisor (PricewaterhouseCoopers Advisory S.p.A.) and confirmed by the performance of prices in the stock exchange.

In the Directors' report, detailed information is provided regarding the performance of the various investee companies.

In relation to the various financial aspects of the Group, mention must be made of the fact that in the report on operations, information was provided regarding the current status of the renegotiation of the credit lines used by the group, for which, in the opinion of the directors and the audit company, there are no doubts regarding renewal, given the advanced status of the negotiations with most of the financial institutions.

Information was provided in the notes regarding the guarantees issued by the parent to banking syndicate, in regard to the loan granted to the subsidiary KME AG, totaling Euro 565,000 thousand and Euro 600,000 thousand for the factoring contract with GE, Euro 45,700 thousand to Unicredit Mediocredito Centrale and costs totaling Euro 1,210,700 thousand.

On 30 April 2014 the Independent Auditors issued a clean opinion on the separate financial statements.

On 28 April 2014 the Chairman of the Company, Vincenzo Manes and the Manager in Charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, provided the Directors and Statutory Auditors with a statement – also in compliance with article 154 bis of Legislative Decree 58/1998 – certifying the adequacy, for a company of this type, of the management and accounting procedures for the preparation of 2013 separate and consolidated financial statements, and the compliance of the financial statements with IFRS.

In conclusion, the Board's evaluation of the company's internal control system is positive.

Proposal to Shareholders

The Board of Statutory Auditors hereby expresses its opinion in favor of approving the financial statements at 31 December 2013 which present a loss for the year of Euro 157,933, to be covered through the usage of the extraordinary reserve which, due to this usage, will be reduced from Euro 15,427,302 to Euro 15,269,369.

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(Marco Lombardi)

(signed on the original)

The standing auditor

(Francesca Marchetti)

(signed on the original)

The standing auditor

(Alberto Villani)

(signed on the original)

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Intek Group S.p.A.

1 We have audited the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2013, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 9 April 2013 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Intek Group S.p.A. as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The directors of Intek Group S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure with the

financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2013.

Milan, 30 April 2014

KPMG S.p.A.

(signed on the original)

Piero Bianco
Director of Audit

INTEK GROUP

Consolidated financial statements at 31 December 2013

Intek Group – Consolidated financial statements at 31 December 2013

Statement of financial position – Assets

(thousands of Euro)	*Ref. Note*	*31 Dec. 2013*	*of which related parties*	*31-dic-12 restated*	*of which related parties*
Property, plant and equipment	*4.1*	540,426		562,751	
Investment property	*4.2*	80,665		80,104	
Goodwill	*4.3*	125,801		125,801	
Intangible assets	*4.4*	2,569		3,545	
Investments in subsidiaries and associates	*4.5*	11,940	*11,940*	13,810	*13,810*
Investments in other companies	*4.5*	270	*270*	270	*270*
Investments in equity-accounted investees	*4.5*	38,601	*38,601*	35,221	*35,221*
Other non-current assets	*4.6*	6,252		8,318	
Non-current financial assets	*4.7*	16,201	*175*	24,711	
Deferred tax assets	*4.22*	67,951		65,591	
Total non-current assets		**890,676**		**920,122**	
Inventories	*4.8*	525,593		570,993	
Trade receivables	*4.9*	123,762	*6,406*	129,846	*6,175*
Other current receivables and assets	*4.10*	57,581		50,028	
Current financial assets	*4.11*	101,270	*10,915*	112,876	*14,133*
Cash and cash equivalents	*4.12*	41,795		65,813	
Total current assets		**850,001**		**929,556**	
Non-current assets held for sale	*4.13*	7,795		4,590	
Total assets		**1,748,472**		**1,854,268**	

The notes are an integral part of these consolidated financial statements.

Please see note 2.1 for restatement of 2012 figures.

Intek Group – Consolidated financial statements at 31 December 2013

Statement of financial position – Liabilities

(thousands of Euro)	*Ref. Note*	*31 Dec. 2013*	*of which related parties*	*31-dic-12 restated*	*of which related parties*
Share capital		314,225		314,225	
Reserves		130,368		129,110	
Treasury shares	*2.11*	(3,998)		(3,998)	
Retained earnings		53,806		72,188	
Convertible loan	*2.11*	20,844		24,000	
Consolidation reserves	*4.14*	(165,329)		(104,979)	
Reserve for other components of total comprehensive income	*4.14*	(55,433)		(55,856)	
Loss for the year		(26,920)		(78,732)	
Equity attributable to owners of the Parent	***2.11***	**267,563**		**295,958**	
Non-controlling interests		6,623		6,743	
Total equity	*2.11*	**274,186**		**302,701**	
Employee benefits	*4.15*	234,664		235,389	
Deferred tax liabilities	*4.22*	101,012		117,034	
Non-current loans and borrowings	*4.16*	154,464		399,050	
Other non-current liabilities	*4.17*	12,139		17,528	
Provisions for risks and charges	*4.18*	24,422		31,167	
Total non-current liabilities		**526,701**		**800,168**	
Current financial loans and borrowings	*4.19*	351,220	*4,986*	119,913	*816*
Trade payables	*4.20*	481,431	*348*	503,693	*339*
Other current liabilities	*4.21*	101,035	*2,878*	106,044	*2,791*
Provisions for risks and charges	*4.18*	13,899		21,749	
Total current liabilities		**947,585**		**751,399**	
Total liabilities and equity		**1,748,472**		**1,854,268**	

The notes are an integral part of these consolidated financial statements.

Please see note 2.1 for restatement of 2012 figures.

Intek Group – Consolidated financial statements at 31 December 2013

Statement of comprehensive income

(thousands of Euro)	*Ref. Note*	*2013*	*of which related parties*	*2012*	*of which related parties*
Revenue from sales and services	*5.1*	2,335,124	*14,857*	2,571,454	*14,040*
Changes in finished and semi-finished product inventories		(1,696)		(5,087)	
Internal work capitalised		1,851		3,111	
Other operating revenue	*5.3*	26,147	*131*	19,590	*(171)*
Purchases and change in raw materials	*5.2*	(1,747,686)	*(102)*	(1,921,859)	*(56)*
Personnel expense	*5.4*	(299,124)	*(342)*	(331,412)	*(458)*
Amortisation, depreciation and impairment losses	*5.5*	(44,623)		(51,672)	
Other operating costs	*5.6*	(279,960)	*(2,910)*	(326,429)	*(7,194)*
Operating loss		**(9,967)**		**(42,304)**	
Financial Income	*5.7*	6,541	*884*	10,607	*495*
Financial Expenses	*5.7*	(26,958)	*(4,349)*	(38,141)	*(2,925)*
Share of profit of equity-accounted investees	*5.8*	(2,165)	*(2,165)*	(7,319)	*(7,319)*
Loss before taxes		**(32,549)**		**(77,157)**	
Current taxes	*5.9*	(14,438)		(7,707)	
Deferred taxes	*5.9*	20,449		6,696	
Total income taxes		**6,011**		**(1,011)**	
Loss from continuing operations		**(26,538)**		**(78,168)**	
Profit/ (Loss) from discontinued operations	*5.10*	-		-	-
Loss for the year		**(26,538)**		**(78,168)**	
Other comprehensive income					
Employee defined benefit plans		*(1,337)*		*(48,483)*	
Tax on other comprehensive income		-		14,107	
Components that will not reclassified to profit or loss		(1,337)		(34,376)	
Exchange rate gains/ (losses)		(553)		181	
Net change in cash flow hedge reserve		960		(848)	
Other		1,993		975	
Taxes on other comprehensive income		(894)		(306)	
Items that will be reclassified to profit or loss		1,506		2	
Other components of comprehensive income net of tax effect:		169		(34,374)	
Total comprehensive expense for the year		**(26,369)**		**(112,542)**	
Loss for the year attributable					
- to non-controlling interests		382		564	
- to owners of the parent		(26,920)		(78,732)	
Loss for the year		(26,538)		(78,168)	
Total comprehensive loss attributable to:					
- to non-controlling interests		(306)		534	
- to owners of the parent		(26,063)		(113,076)	
Total comprehensive loss for the year		(26,369)		(112,542)	

Earnings per share (in Euro)		
Basic earnings (losses) per share	(0.0972)	(0.1999)
Diluted earnings (losses) per share	(0.0899)	(0.1868)

The notes are an integral part of these consolidated financial statements.

Please see note 2.1 for restatement of 2012 figures.

Intek Group – Consolidated financial statements at 31 December 2013

Statement of changes in equity at 31 December 2012

(thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the Parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2011 - Published	**297,041**	**186,674**	**(2,680)**	**72,188**	**-**	**(107,852)**	**(80)**	**(15,493)**	**429,798**	**6,062**	**435,860**
Effect of changes in accounting standards	-	-	-	-	-	-	(21,418)	-	(21,418)	-	(21,418)
Equity at 31 December 2011 - Restated	**297,041**	**186,674**	**(2,680)**	**72,188**	**-**	**(107,852)**	**(21,498)**	**(15,493)**	**408,380**	**6,062**	**414,442**
Allocation of Parent’s loss for the year	-	(9,885)	-	-	-	-	-	9,885	-	-	-
Allocation of subsidiaries’ loss for the year	-	(5,608)	-	-	-	-	-	5,608	-	-	-
Cost for purchases of treasury shares	-	(801)	-	-	-	-	-	-	(801)	-	(801)
Purchase of treasury shares	-	-	(46,361)	-	-	-	-	-	(46,361)	-	(46,361)
Annulment of treasury shares	-	(49,041)	49,041	-	-	-	-	-	-	-	-
Deferred taxes on equity items	-	-	-	-	-	-	155	-	155	-	155
Expiry of stock options	-	456	-	-	-	-	-	-	456	-	456
Merger with Intek	17,184	9,770	(3,998)	-	24,000	2,873	-	-	49,829	865	50,694
Other changes	-	(2,455)	-	-	-	-	(169)	-	(2,624)	(718)	(3,342)
Total comprehensive income	-	-	-	-	-	-	(34,344)	-	(34,344)	(30)	(34,374)
Profit/ (Loss) for the year	-	-	-	-	-	-	-	(78,732)	(78,732)	564	(78,168)
Total comprehensive income (expense	-	-	-	-	-	-	(34,344)	(78,732)	(113,076)	534	(112,542)
Equity at 31 December 2012	**314,225**	**129,110**	**(3,998)**	**72,188**	**24,000**	**(104,979)**	**(55,856)**	**(78,732)**	**295,958**	**6,743**	**302,701**
Reclassification of treasury shares	(3,998)	-	3,998	-	-	-	-	-	-	-	-
Equity at 31 December 2012 - Restated	**310,227**	**129,110**	**-**	**72,188**	**24,000**	**(104,979)**	**(55,856)**	**(78,732)**	**295,958**	**6,743**	**302,701**

As at 31 December 2012 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these consolidated financial statements. Please see note 2.1 for restatement of 2012 figures.

Intek Group – Consolidated financial statements at 31 December 2013

Statement of changes in equity as at 31 December 2013

(thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the Parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2012 - Restated	**314,225**	**129,110**	**(3,998)**	**72,188**	**24,000**	**(104,979)**	**(55,856)**	**(78,732)**	**295,958**	**6,743**	**302,701**
Allocation of Parent's loss for the year	-	-	-	(18,382)	-	-	-	18,382	-	-	-
Allocation of subsidiaries' loss for the year	-	-	-	-	-	(60,350)	-	60,350	-	-	-
Dividends and allocations to the Board of Directors	-	-	-	-	-	-	-	-	-	-	-
Repurchase of convertible loan	-	-	-	-	(3,156)	-	-	-	(3,156)	-	(3,156)
Deferred taxes on equity items	-	(67)	-	-	-	-	-	-	(67)	-	(67)
Expiry of stock options	-	351	-	-	-	-	-	-	351	-	351
Other changes	-	974	-	-	-	-	-	-	974	(248)	726
Total comprehensive income	-	-	-	-	-	-	423	-	423	(254)	169
Profit/ (Loss) for the year	-	-	-	-	-	-	-	(26,920)	(26,920)	382	(26,538)
Total comprehensive income (expense)	-	-	-	-	-	-	423	(26,920)	(26,497)	128	(26,369)
Equity at 31 December 2013	**314,225**	**130,368**	**(3,998)**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**
Reclassification of treasury shares	(3,998)	-	3,998	-	-	-	-	-	-	-	-
Equity at 31 December 2013	**310,227**	**130,368**	**-**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**

As at 31 December 2013 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these consolidated financial statements Please see note 2.1 for restatement of 2012 figures.

Statement of cash flows - indirect method

Statement of cash flows - indirect method			
(thousands of Euro)		*2013*	*2012*
(A) Cash and cash equivalents at the beginning of the year		**65,813**	**66,483**
Loss before taxes		(32,549)	(77,158)
Amortisation and depreciation of and intangible assets and property, plant and equipment		42,620	46,524
Impairment losses on current assets		1,766	4,764
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		(2,186)	5,148
Impairment losses (reversal of impairment losses) on current and non-current financial assets		5,214	7,279
Capital losses/(gains) on non-current assets		-	(18)
Changes in provisions for pensions, post-employment benefits and stock options		(1,711)	2,883
Changes in provisions for risks and charges		(14,497)	5,041
Decrease (increase) in inventories		44,780	36,874
Share of profit of equity-accounted investee		2,165	7,319
Decrease in current receivables		2,203	11,639
Decrease in current payables		(24,779)	(47,597)
Changes from currency translation		(1,767)	(185)
Decrease / (increase) in LME and currency forward contracts		12,873	(11,707)
Taxes paid during year		(13,332)	(7,979)
(B) Total Cash flows from/(used in) operating activities		**20,800**	**(17,173)**
(increase) in non-current intangible assets and property, plant and equipment		(30,074)	(37,645)
Decrease in non-current intangible assets and property, plant and equipment		5,562	1,360
Increase in investments		(6,579)	(6,373)
Increase/decrease in other non-current assets/liabilities		(3,323)	(2,890)
Dividends received		-	271
(C) Cash flows used in investing activities		**(34,414)**	**(45,277)**
Equity cash variations		-	(47,162)
Purchase of treasury shares and similar shares		(3,404)	(2,543)
Increase/ (Decrease) in loans and borrowings		(17,646)	(57,539)
(Increase)/ Decrease in current and non-current loan assets		10,646	149,438
(D) Cash flows from/(used in) financing activities		**(10,404)**	**42,194**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(24,018)**	**(20,256)**
(F) Change in scope of consolidation		**-**	**19,586**
(G) Cash and cash equivalents at the end of the year	**(A) + (E) + (F)**	**41,795**	**65,813**

The notes are an integral part of these consolidated financial statements

Positions or transactions with related parties are not separately recorded in the statement of cash flows since their amount is negligible.

Intek Group – Consolidated financial statements at 31 December 2013

Notes

1. General information

Intek Group SpA (hereafter also the "Intek Group" or the "Company") heads a diversified group operating in the sector of copper and copper-alloy semi-finished products, in the financial sector with the management of investments and private equity funds, and in the sector of advanced services, including energy from renewable sources, and of the management of the risks associated with the possession, ownership and use of vehicles. The Intek Group aims to manage all the investments with a view to their dynamic value creation focussed on the generation of cash and on their increasing value over time.

The Intek Group is a joint stock company (Società per Azioni) registered in Italy with the Milan Company Register under no. 00931330583, and its shares are listed on the Mercato Telematico Azionario (Borsa Italiana's electronic market) organized and managed by Borsa Italiana SpA.

The Board of Directors approved the consolidated financial statements at 31 December 2013 on 28 April 2014 and authorized its publication by means of a press release.

Although it is owned by Quattroduedue Holding BV, through the wholly-owned Quattroduedue SpA, the Parent is not subject to the management and coordination of Quattroduedue pursuant to articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulations due to the fact that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- the Company does not participate in any centralised treasury arrangements operated by the Parent or another company under Quattroduedue's control;
- the number of independent Directors (5 out of 10) is such as to ensure that their opinions have a material influence on board decisions.

2. Accounting policies

2.1. Basis of presentation

The consolidated financial statements as at and for the year ended 31 December 2013 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 35/2005 where applicable.

The consolidated financial statements at 31 December 2013 are composed of the Consolidated Statement of Financial Position, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in equity, as well as the respective Notes thereto.

The statement of financial position has been prepared by distinctly classifying the current and non-current assets and the current and non-current liabilities.

The Group has opted for presentation of a single statement comprehensive income statement in which the items of revenue and cost recognized during the year are presented, including the financial expenses, the share of the profit (loss) of associates and joint ventures accounted for using the equity method, the tax expenses, and a single amount relative to the discontinued operations. "*Other components of comprehensive income*" comprises the elements which, upon the specific indication of the individual IFRS, are recognized separately from profit or loss. These elements are divided into two categories as follows:

- those items that will not be subsequently reclassified to profit or loss;
- those that will be subsequently reclassified to profit or loss, when specific conditions are fulfilled.

The amount attributable to the owners of the parent as well as the amount attributable to the non-controlling interests are given for the profit of the year and for the total comprehensive income.

The method used for the presentation of cash flows within the statement of cash flow is the indirect method, according to which the profit (loss) for the year is adjusted by the effects of:

- changes in receivables, inventories and payables generated by operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flows from (used in) investing or financing activities.

In the cash flow statement, for changes in the consolidation area, the changes in the assets were considered on the basis of the first consolidation date.

In preparing the consolidated financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements as at 31 December 2012, except for the standards effective as from 1 January 2013.

The detail regarding the new accounting standards, amendments and interpretations that apply to the Group are listed below:

IAS 1 Presentation of financial statements (Presentation of the components of Other comprehensive income) - The objective of the amendments to IAS 1 is to make the presentation of the increasing number of components of other comprehensive income clearer and help users of the financial statements to distinguish components of other comprehensive income that may or may not later be reclassified to profit or loss.

IAS 19 Employee Benefits – The methods for recording the Defined Benefit Plans have been revised prescribing, among other things, the immediate recognition of all actuarial differences in the statements of comprehensive income, eliminating the so-called corridor rule.

IFRS 7 – Financial Instruments: Disclosure (Offsetting Financial Assets and Financial Liabilities), IAS 32 Financial instruments: Presentation (Offsetting Financial Assets and Financial Liabilities) - The purpose of the amendments to IFRS 7 is to prescribe additional quantitative information to allow users to better compare and reconcile the information deriving from the application of the IFRS and those deriving from the application of the United States of America's *Generally Accepted Accounting Principles* (GAAP). Furthermore, the IASB amended IAS 32 to provide additional guidance to reduce inconsistencies in the practical application of the Standard.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011), IAS 28 Investments in Associates and Joint Ventures (2011) - The objective of IFRS 10 is to provide a single model for the Consolidated Financial Statements that prescribes Control as the basis for the consolidation of all types of entities. IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Special Purpose Entities. IFRS 11 establishes the accounting reporting standards for entities that are parties to joint arrangements and replaces IAS 31 Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 12 combines, reinforces, and supersedes the disclosure obligations for subsidiaries, joint arrangements, associates, and unconsolidated structured entities. Pursuant to these new IFRS, IASB also issued the amended IAS 27 and the amended IAS 28.

IFRS 13 Fair Value Measurement - IFRS 13 provides a single IFRS framework for the fair value measurement and provides complete guidelines on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies whenever another IFRS requires or allows fair-value measurements or requires supplementary information regarding the fair-value measurements.

Annual Improvements 2009-2011 Cycle - Three improvements, in particular the amendment of appendix D of IFRS 1, IAS 16, and IAS 34 are clarifications or corrections regarding the standards in question. The other three improvements, in particular the amendments to IFRS 1, IAS 1, and IAS 32, involve changes of the existing provisions or the formulation of additional guidelines concerning the implementation of these provisions.

The application of the new version of IAS 19, *Employee Benefits*, lead to an increase, starting 1 January 2012 and 31 December 2012, of Euro 30.3 million and Euro 78.8 million, respectively, for the item Employee Benefits, and a consequential reduction in equity of Euro 21.4 million and Euro 55.8 million, respectively, net of the related tax effect. No significant impact was recorded on 2012 profit and loss for the year. The application of the new IAS 1 version *Presentation of Financial Statements,* although having no effect on the profit (loss) for the year and on the equity, entailed the re-presentation of the previous financial year's figures relative to the consolidated statement of comprehensive income.

The table below summarizes the most significant impacts on the statement of financial position as at 1 January 2012 and as at 31 December 2012 due to the application of the new version of IAS 19.

(thousands of Euro)	*31 Dec. 2012*		*1 Jan. 2012*	
	Restated	*Published*	*Restated*	*Published*
Deferred tax assets	65,591	42,567	40,408	31,491
Other non-current assets	854,531	854,531	807,459	807,459
Total non-current assets	**920,122**	**897,098**	**847,867**	**838,950**
Total current assets	**934,146**	**934,146**	**1,087,337**	**1,087,337**
Total assets	**1,854,268**	**1,831,244**	**1,935,204**	**1,926,287**
Equity attributable to owners of the Parent	**295,958**	**351,752**	**408,380**	**429,798**
Non-controlling interests	6,743	6,743	6,062	6,062
Total equity	**302,701**	**358,495**	**414,442**	**435,860**
Employee benefits	235,389	156,571	183,774	153,439
Other non-current liabilities	564,779	564,779	423,250	423,250
Total non-current liabilities	**800,168**	**721,350**	**607,024**	**576,689**
Total current liabilities	**751,399**	**751,399**	**913,738**	**913,738**
Total liabilities and equity	**1,854,268**	**1,831,244**	**1,935,204**	**1,926,287**

The Group has not yet applied the accounting standards which are listed below in paragraph 2.21 and which, although already issued by the IASB, become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognized and presented with respect to their economic substance rather than legal form.

Specific notes contained in the Directors' Report disclose the content and meaning of the alternative performance indicators, where applicable, which, although not required by IFRS, are in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

These financial statements are presented in Euro, the functional currency of the Parent. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.2. Basis of consolidation

(a) Subsidiaries

Subsidiaries are all those companies over which the Intek Group simultaneously has:

- power, i.e. it holds legitimate rights that bestow upon it the actual capacity to manage *relevant activities*, i.e. activities that have a significant effect on returns;
- exposure or the rights to variable returns deriving from the relationship with the company itself;
- capacity to exercise its power.

The assets and liabilities, income and expenses of the subsidiaries consolidated on a line-by-line basis are recognised in the consolidated financial statements at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognized as “goodwill and goodwill arising on consolidation” and in the profit or loss, if negative. The portion of equity and profit/(loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, “goodwill” is measured at cost less accumulated impairment losses as required by IAS 36 - *Impairment of Assets*.

Non-significant subsidiaries and companies the consolidation of which does not produce significant effects are not included in the scope of consolidation. These are generally companies with operations consisting entirely of sales. Excluding such companies has no material effect on the Group’s financial statements and will have no influence on the business decisions of the financial statements’ users.

Unrealised profits on intragroup transactions, if material, are eliminated. Receivables, payables, income, expenses, guarantees, commitments and contingencies in connection with transactions between and among consolidated companies are also eliminated. Intragroup losses are not eliminated as they are deemed to represent an impairment loss on the asset sold. All financial statements of subsidiaries have been adjusted to ensure consistency of accounting policies and standards with those of the Group.

The reporting year of all consolidated subsidiaries is the calendar year.

In the case of the sale or transfer of an investee, the removal from the scope of consolidation is accounted for from the date of effective loss of control.

In the case of the transfer of a subsidiary to a jointly controlled company or an associate, the recognition of the profit or loss from the loss of control is reflected in the profit or loss, as provided for by IFRS 10, paragraph 25. In this case:

a) the assets and liabilities of the former subsidiary are eliminated from the consolidated statement of financial position;

b) any interest retained in the former subsidiary is recorded at the corresponding fair value on the date of loss of control and, thereafter, is recorded together with any amount due from or to the *ex* subsidiary in accordance with the relevant IFRS provisions. This fair value becomes the basis for the next posting of the investment.

c) The profits or losses correlated with the loss of control attributable to the former controlling investment are recorded.

The following table lists all subsidiaries consolidated on a line-by-line basis.

Name	Registered office	Currency	Share/Quota Capital	Business	direct	indirect
Intek Group SpA	Italy	EUR	314,225,010	Holding	Parent	
KME A.G.	Germany	EUR	142,743,879	Holding	100.00%	
Bertram's GmbH	Germany	EUR	300,000	Services		100.00%
Cuprum S.A.	Spain	EUR	60,910	Services		100.00%
Dalian Dashan Chrystallizer Co. Ltd Ltd	China	RMB	40,000,000	Copper and alloys		70.00%
Dalian Heavy Industry Machinery Co. Ltd Ltd.	China	RMB	20,000,000	Copper and alloys		70.00%
Dalian Surface Machinery Ltd	China	RMB	10,000,000	Copper and alloys		70.00%
EM Moulds Srl	Italy	EUR	115,000	Commercial		100.00%
Fricke GmbH	Germany	EUR	50,000	Copper and alloys		100.00%
GreenRecycle Srl	Italy	EUR	500,000	Trading of metals		100.00%
Immobiliare Agricola Limestre Srl	Italy	EUR	110,000	Real estate		100.00%
Kabelmetal Messing Beteiligungsges mbH Berlin	Germany	EUR	4,514,200	Real estate		100.00%
KME Brass France S.a.s.	France	EUR	7,800,000	Copper and alloys		100.00%
KME Brass Germany Gmbh	Germany	EUR	50,000	Copper and alloys		100.00%
KME Brass Italy Srl	Italy	EUR	15,025,000	Copper and alloys		100.00%
KME France S.a.S.	France	EUR	15,000,000	Copper and alloys		100.00%
KME Germany Bet. GmbH	Germany	EUR	1,043,035	Finance	100.00%	
KME Germany GmbH & Co. KG KG	Germany	EUR	180,500,000	Copper and alloys		100.00%
KME Ibertubos S.A.	Spain	EUR	100,000	Copper and alloys		100.00%
KME Italy SpA	Italy	EUR	103,839,000	Copper and alloys		100.00%
KME Moulds Mexico SA de C.V.	Mexico	MXN	7,642,237	Commercial		100.00%
KME Moulds Service Australia Pty Limited	Australia	AUD	100	Commercial		65.00%
KME Recycle Srl	Italy	EUR	2,000,000	Financial		100.00%
KME Srl	Italy	EUR	115,000	Services		100.00%
KME Service Russland Ltd	Russia	RUB	10,000	Commercial		70.00%
KME Spain SA	Spain	EUR	92,446	Commercial		99.86%
KME Verwaltungs und Dienst. mit beschr.	Germany	EUR	10,225,838	Not operational		100.00%
KME Yorkshire Ltd	Great Britain	GBP	10,014,603	Copper and alloys		100.00%
Valika S.A.S.	France	EUR	200,000	Trading of metals		51.00%
Yorkshire Copper Tube	Great Britain	GBP	3,261,000	Not operational		100.00%
KME Grundstueckgesellschaft AG &Co KG	Germany	EUR	49,900	Real estate		100.00%
KME Stolberg GmbH	Germany	EUR	1,000,000	Copper and alloys		100.00%
Yorkshire Copper Tube (Exports) Ltd.	Great Britain	GBP	-	Not operational		100.00%
KME Partecipazioni SpA	Italy	EUR	47,900,000	Holding	100.00%	
FEB - Ernesto Breda SpA	Italy	EUR	577,671	Holding	86.41%	
I2 Capital Partners Sgr SpA	Italy	EUR	1,500,000	Management of investment funds.	100.00%	
I2 Real Estate Srl	Italy	EUR	110,000	Real estate	100.00%	
Idra International SA	Luxembourg	EUR	50,569,400	Holding	100.00%	
Inteservice Srl in liquidation	Italy	EUR	90,000	In liquidation	100.00%	
Malpaso Srl	Italy	EUR	10,000	Real estate	100.00%	
Rede Immobiliare Srl	Italy	EUR	90,000	Real estate	48.98%	51.02%
Tecno Servizi Srl	Italy	EUR	50,000	Real estate		100.00%
Tecsinter Srl in liquidation	Italy	EUR	100,000	In liquidation	100.00%	

In addition, there were some changes in ownership inside the Group which did not impact on the consolidation scope.

In order to comply with a legal provision in Germany, it is stated that:

"Pursuant to Art. 264b HGB (German Commercial Code) the subsidiaries KME Germany Gmbh & Co. KG, Osnabrück, and pursuant to art. 264 para. 3 HGB (German Commercial Code) KME Brass Germany GmbH, Osnabrück, do not prepare a "management report" and do not publish their annual report".

(b) Associates

Associates are all those companies over which the Intek Group exercises significant influence but not control. Significant influence is deemed to exist when the Intek Group holds, directly or indirectly through subsidiaries, 20% or more of the voting rights in the investee share/quotaholders' meeting. Investments in associates are consolidated using the equity method.

Using the equity method, the investment is initially recognised at cost and then adjusted to recognise the percentage of post-acquisition profits or losses attributable to the Parent. Dividends received are deducted from the carrying amount of the investment.

At the date of these consolidated financial statements there were no associates consolidated through the equity method.

(c) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity.

Joint ventures are consolidated using the equity method pursuant to IFRS 11 paragraph 24. The value determined from application of the equity method is lower than the value deriving from the impairment testing of the investees.

2.3. Foreign currency transactions

(a) Functional and presentation currency

As already mentioned, all amounts are expressed in Euro which is also the Parent's functional currency.

(b) Foreign currency translation

Financial statements in currencies other than the Euro are translated using the average exchange rates for the period for statement of comprehensive income items and the relevant closing exchange rates for statement of financial position items.

The exchange rates used for the translation of foreign currencies are those set by the European Central Bank at year end:

	GBP British Pound	**RMB Chinese Yuan**	**MXN Mexican Peso**	**AUD Australian Dollar**	**RUB Russian Rouble**
31 Dec. 2012	0.8161	8.2207	17.1845	1.2712	40.3295
31 December 2013 - used for translation of the statement of financial position items	0.8337	8.3491	18.0731	1.5423	45.3246
2013 average - used for translation of the statement of comprehensive income items	0.8493	8.2319	16.9587	1.3775	42.3633

The difference between the profit/(loss) for the period resulting from translation using the average rates for the period and that which results from the translation using the rates at end Decembrer, is recognised in the consolidation reserves (portion attributable to owners of the parent) and in Equity attributable to non-controlling interests. These differences, in the event of disposal, will be recognized in profit or loss together with any other gains or losses relating to the disposal of the relevant investment.

2.4. *Property, plant and equipment*

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including direct accessory costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is separately accounted for.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, with the exception of land which is not depreciated and is carried at cost net of accumulated impairment losses.

The cost of internally produced assets includes material costs and direct labour plus any other directly attributable costs incurred in bringing the asset to its intended location and preparing it for its intended use.

Ordinary maintenance costs are charged to the year they are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is probable that future measureable economic benefits will arise from them. Borrowing costs relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

Replacement parts of significant value are capitalised and depreciated based on the useful life of the asset to which they refer; low value replacement parts are recognized in profit or loss when the expense is incurred.

Depreciation is accounted for from the month the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is charged monthly on a straight line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Land, whether it is unoccupied or is connected to ancillary and industrial buildings, is not depreciated since it is considered to have an indefinite useful life.

Depreciation is charged based on the following useful lives:

Buildings	from 25 to 50 years
Plant and equipment	from 10 to 40 years
Other equipment	from 5 to 15 years

Assets under finance leases

Leases are arrangements by which the lessor transfers the right to use an asset for an agreed period of time to the lessee in exchange for payment or a series of payments. Lease arrangements that essentially transfer all risks and rewards deriving from ownership of the asset are defined as “finance leases” even if title does not pass at the end of the lease. Finance leases are recognized as required by IAS 17, paragraphs 20-32.

“Operating leases” are defined as any arrangement for the lease of assets that is not a finance lease.

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components: financial expense, recognized in profit or loss, and repayment of principal, recognized as a reduction of financial liabilities. Assets held under finance leases are recognized at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of selling price and value in use, compared with the carrying amount. The recoverable amount is the higher of value in use and its fair value less costs to sell. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognized in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated analogously.

2.5. Intangible assets

(a) Goodwill

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill and other intangible assets with indefinite useful lives are not amortised. Recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Any impairment losses recognized are not subsequently reversed.

(b) Other intangible assets with finite useful lives

An intangible asset with finite useful life is an identifiable asset without physical substance that is controlled by an entity and is capable of producing future economic benefits.

Intangible assets are either:

- purchased from third parties;
- acquired through business combinations; or
- internally generated.

In the first two instances, intangible assets, including directly attributable expenses, are initially recognized at cost or fair value, respectively. They are then systematically amortised based on their useful life, which is the period over which the assets will be used by the company, generally between three and five years. The residual value of intangible assets at the end of their useful life is assumed to be zero.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "Property, plant and equipment".

Internally generated assets are capitalised only to the extent they meet the requirements of IAS 38, paragraph 57.

2.6. Investment property

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially recognized at fair value with any subsequent changes recognized in profit or loss and are, consequently, not systematically amortised.

In order to determine the fair value, reference is made to a particular value, mainly determined through external assessments, considering transactions at current prices in an active market for similar real estate assets, in the same location and state as well as subject to similar conditions for leases and other contracts.

2.7. Financial assets and liabilities

For the reasons explained in paragraph 2.2, investments in unconsolidated subsidiaries are carried at fair value or cost less accumulated impairment losses.

Other investments are recognised at fair value through profit or loss. When fair value cannot be reliably determined, the investments are measured at cost less accumulated impairment losses.

Non-derivative financial assets with fixed or determinable payments and a specific due date, that the Group intends and has the ability to hold until maturity, are designated as "*Held-to-maturity investments*". The assets included in this category are measured at amortised cost using the effective interest method pursuant to IAS 39.

Financial assets and liabilities acquired or held primarily to be sold or repurchased in the short term and derivative financial instruments not designated as hedging instruments are classified as "*Financial assets or liabilities at fair value through profit or loss*" separately indicating those that were classified as such on initial recognition (*fair value option*). This category also includes stakes in mutual funds, LME contracts and all metal forward sales/purchase contracts used to hedge raw material price risk. These assets are measured at fair value through profit or loss.

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not listed on an active market and not included in any of the above categories, are classified as "*Loans and receivables*" and are carried at amortised cost using the effective interest method. The amortised cost of current *loans and receivables* and all short-term trade payables and receivables, for which the time value of money is immaterial, is deemed to correspond to their carrying amount.

All other non-derivative financial assets which are not classified in one of the three categories above are classified as "*Available-for-sale financial instruments*" and measured at fair value with changes recognised directly in equity, with the exception of any impairment losses.

Treasury shares are measured at historical cost and recognized as a reduction of consolidated equity. In the event of sale, reissue or cancellation, the consequent profit and losses are recognised directly in equity.

Determination of impairment losses

All financial assets and liabilities, with the exception of "*Financial assets and liabilities at fair value through profit or loss*", are tested for impairment in accordance with IAS 39, paragraphs 58-70.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of projected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

For investments in equity-accounted investees, pursuant to IAS 28 paragraph 40 et seq., IAS 39 is applied to determine the need to recognise any further impairment losses relating to the net investment. The entire carrying amount of the investment is however tested for impairment under IAS 36 by comparing its recoverable amount whenever application of IAS 39 indicates a possible impairment of the investment.

All impairment losses are recognized in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognized in equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognized.

Impairment losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and available-for-sale assets, which are debt instruments, are recognized in profit or loss.

Measurement at fair value

The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, on initial recognition, is determined on the basis of the transaction price and is, therefore, equal to the amount paid or received.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions at the end of the reporting period. The fair value of interest rate swaps is calculated with reference to the present value of expected future cash flows. The fair value of currency forward contracts is determined with reference to the forward exchange rate at the end of the reporting period.

Fair value adjustments of derivative instruments not classified as hedging instruments are immediately recognized in profit or loss.

The fair value of non-derivative financial instruments is determined by discounting future cash flows at the market interest rate at the end of the reporting period.

The fair value of price fixing sales and purchase contracts is determined with reference to the market price at the year end of the contract's metal component compared to the contract price. Fair value also reflects counterparty risk and the time value of money through discounting, when this is significant.

The fair value of forward agreements on currencies is determined using the exchange rate curve applicable on the measurement date.

With regard to forward agreements on currencies, from 2013 the company has applied the requirements set forth in IAS 39 "*Hedge Accounting*," in particular the derivative financial instruments are accounted for using the procedures for hedge accounting only when, at the beginning of the hedge, there is a formal designation, provided the hedge is highly effective and this effectiveness can be reliably measured.

When financial instruments have the characteristics required for hedge accounting, the following accounting treatments are applied:

Fair value hedge: if a derivative financial instrument is designated as a hedge against exposure to changes in fair value of an asset or liability attributable to a particular risk which can affect the profit or loss, the profit or the loss deriving from the subsequent changes in the fair value of the hedging instrument are recognized in the profit or loss. The profit or the loss of a hedged item, which is attributable to the hedged risk, modify the book value of this item and are recognized in the profit or loss statement.

Cash flow hedge: if a derivative financial instrument is designated as the hedge against changes in future cash flows of an asset or liability or an expected transaction which is highly probable and could produce effects on the profit or loss, the effective portion of the profits or the losses of the financial instrument (change in the fair value) is recognized in equity. The accumulated profit or loss are reversed from equity and accounted for in the profit or loss in the same period in which the transaction which constituted the object of the hedge took place.

Any profits or losses associated with a hedge which has become ineffective are immediately recognized in the profit or loss. If a hedging instrument or a hedging relationship are closed, but the transaction which constitutes the object of the hedge has not yet taken place, the cumulative profits and losses (recognized up to that time in equity) are recognized in the profit or lossat the time the relative transaction takes place. If the transaction which is hedged is no longer probable, the profits or the losses which have not yet been realized and have been temporarily recognized in equity are immediately recognized in the profit or loss.

If it is not possible to apply hedge accounting, the profits or the losses from the fair value measurement of the derivative financial instrument are immediately recognized in the income statement.

2.8. Factoring of receivables

The Group sells a significant portion of its trade receivables to factors. These assignments can be either with or without recourse. Non-recourse factoring of receivables by the Group are made as required by IAS 39 for the derecognition of assets, since essentially all risks and rewards have been transferred. Non-recourse factoring of receivables is reported under "Other operating costs". In the event that transactions do not fulfil the requirements of IAS 39, for example receivables factored with recourse, the receivables remain on the face of the Group's statement of financial position even though title has legally passed, and a contra liability of equal amount is recognised in the consolidated statement of financial position. Receivables factored with recourse are reported under financial expense.

2.9. Inventories

Goods for resale are measured at the lower of purchase or production cost, including incidental expenses, and estimated realisable value. The cost of inventories generally includes costs incurred to bring the inventories to their current place and condition.

The value of metals and production costs are treated differently:

Metal (including the metal content of work in progress and finished goods) is measured at cost on a first-in, first-out basis. If necessary, this value is reduced at the end of the year so that it becomes aligned with its estimated realisable value, which is the official price at the end of the year recorded on the LME market.

The cost of production of work in progress and finished goods includes incidental expenses plus the amount of indirect costs that can reasonably be allocated to the product, excluding administrative expenses, costs to sell and financial expense. The absorption of general expenses in production costs is based on normal production capacity.

Contract work in progress is measured on the basis of the stage of completion and the contractual consideration price less contractual costs.

Supplies and consumables are measured at weighted average cost.

2.10. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and highly liquid short-term financial investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.11. Equity

Share capital consists of ordinary and savings shares without par value, fully subscribed and paid up at the year end, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes, whilst the historical cost of owned treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity transactions have been used directly as a reduction of reserves.

The Intek Group 2012-2017 Convertible Loan has been recorded, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the Convertible Bonds instead of their (automatic) conversion into shares is remitted to the shareholders' meeting (by means of a resolution adopted with the majority required by the regulation for the Convertible Bonds);
- the number of shares which the issuer of the Convertible Bonds must assign to the holders of the Convertible Bonds on their expiry is preset and is not subject to change.

2.12. Receivables and payables

Receivables and payables are recognized at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognized at their par value.

2.13. Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognized in profit or loss unless relating to transactions recognized directly in equity in which case the relevant tax is also recognized directly in equity.

The current tax expense represents the estimated income tax payable computed on taxable income for the year as determined with reference to current tax rates or those substantially in effect at the year end. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities for transactions other than business combinations that have no effect on either accounting profit (or loss) or taxable profit (or taxable loss); differences relating to investments in subsidiaries and joint ventures to the extent that the difference is not likely to reverse in the foreseeable future. The Group also does not recognize deferred tax liabilities arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured with reference to tax rates that it is believed will be in effect in the period in which the underlying asset will be recovered or liability paid based on tax rates in effect or substantially in effect at the year end. There is an offset of deferred tax assets and liabilities whenever there is a legal right to offset current tax assets and liabilities and if the deferred tax asset or liability relates to income taxes assessed by the same tax authority on the same taxpaying entity or differing taxpaying entities intending to settle the current tax asset or liability on a net basis or to simultaneously recover the asset and pay the liability.

Deferred tax assets are recognized to the extent that it is likely that there will be sufficient future taxable income to absorb them. The carrying amounts of deferred tax assets are tested for impairment at the end of each reporting period and are reduced to the extent that they are not likely to be recoverable.

2.14. Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as “defined contribution” or “defined benefit” plans. The Group’s liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the year end. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations enacted during 2007 introduced – as part of pension reform – significant changes concerning the allocation of the portions accruing of post-employment benefits. As a result of these changes, the new flows of post-employment benefits can be directed by workers towards forms of supplementary pension funds or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the social security institution (in the case of companies with more than 50 employees). On the basis of the generally accepted interpretation of these new rules, the Group decided that:

- post-employment benefits vested at 31 December 2006 but not yet paid at the year end are to be classified as defined benefit plans and measured by actuarial methods without, however, including the component relating to future pay increases;
- contributions payable both to supplementary pension schemes and INPS for post-employment benefits vesting subsequent to that date are to be classified as defined contribution plans with exclusion, in calculation of the cost of the year, of components relating to actuarial estimates.

The measurement of defined benefit plans was carried out by independent actuaries.

2.15. Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain. Such provisions are only recognized to the extent that:

- the Group has a current (legal or constructive) obligation as a result of a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the year end. Where the difference between the present and future value of the provision is significant, the present value of the payment required to settle the obligation is discounted.

Provisions for restructuring costs are recognized only if the Group has a formal detailed plan showing at least: the operations and main operating units concerned, the costs to be incurred, the approximate number of employees involved and if the third parties concerned reasonably expect that the entity will restructure because it has already commenced or because a public announcement in that regard has been made.

2.16. Revenue recognition

Revenue from the sale of goods and services is recognized to the extent that it is probable that the Group will obtain economic benefits and the amounts thereof can be reliably determined. It is measured at the fair value of the consideration received or which is expected to be received, with account taken of any returns, rebates, discounts and premiums relating to quantity. Revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, when the recoverability of the consideration is probable and the relevant costs or any returned goods can be reliably estimated.

Although transfer of the risks and rewards of ownership vary depending on conditions of contract, it normally occurs on the physical delivery of the goods. Revenue from services, such as work performed on behalf of third parties, is recognised on the basis of the stage of completion of such work at the year end. The progress is then measured with respect to the amount of work performed.

2.17. Financial income and expenses

Financial income includes interest income from cash invested, exchange rate gains, dividends, guarantee fees received, gains on disposal of available-for-sale financial assets, fair value gains on assets held for trading and derivatives except for fair value gains of LME and metals forward contracts which are reported under "Purchases and change in raw materials". Dividends are recognised only when the right to receive payment has been established.

Financial expenses include loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets, factoring fees paid with respect to factoring of receivables with recourse, decreases in the fair value of assets held for trading and derivatives except for the decreases in fair value of LME and metals forward contracts which are reported under "Purchases and change in raw materials".

2.18. Segment reporting

At an operational level, the Intek Group has three sectors subject to reporting, as detailed below:

- **Copper:** a sector consisting of an industrial grouping which is a leader in the international global production of copper and copper-alloy semi-finished products;
- **Financial and real estate assets** from Intek;
- **Advanced services** which includes:
  - Energy from renewable sources: a sector consisting of a grouping of companies belonging to the ErgyCapital Group, listed on the Italian Stock Exchange, which is active in the area of plant and energy generation from renewable sources, especially in the field of photovoltaic energy;
  - Services in the automotive field: a sector represented by the COBRA Automotive Technologies Group which is listed on the Italian Stock Market and is a leader in the sector for anti-theft devices for cars and vehicle safety using IT and satellite technology.

The management monitors the operating results of the three sectors separately in order to define the allocation of resources; the results in each sector are assessed on the basis of the operating profit or loss.

There are no transfers of resources between the three major sectors.

Segment information is provided under paragraph 7 of the notes.

2.19. Earnings/(losses) per share

Basic and diluted earnings/(losses) per ordinary share are calculated in the following manner:

a) the numerator is equal to profit/(loss) attributable to the Parent, adjusted by the profit or loss that is to be set aside, for the current year, for outstanding savings shares less any savings treasury shares held directly or through subsidiaries;

b) the denominator of "basic earnings per share" is the weighted average of the outstanding ordinary shares during the year less ordinary treasury shares;

c) the denominator of "diluted earnings per share" is the weighted average of the ordinary shares adjusted by adding the number of any new ordinary shares that could be issued through:

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted.

For this calculation, it was assumed that warrants were converted and stock options exercised at the beginning of the year and that the conversion and exercise did not result in increased income or decreased expenses.

The calculation at 31 December 2013 of the basic earnings per share was done by taking the loss attributable to owners of the Parent of Euro 26.9 million net of the share due to savings shares, attributable to holders of issued ordinary shares and the weighted average number of ordinary shares which was 314,225,010, taking account of any stock splits and/or reverse-stock splits and any increases/reduction in share capital pursuant to IAS 33 para. 64. In addition, the potentially diluting effect arising from the conversion of all the stock options was calculated.

2.20. Use of estimates

The preparation of these consolidated financial statements and notes thereto in accordance with IFRS required the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities.

Estimates are primarily made to determine: the fair value of investment property, LME contracts and price fixing metal sales and purchase contracts with customers and suppliers recognized as financial instruments, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, estimated restructuring provisions, the indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At the year end, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.21. Accounting standards not yet applied

As at 31 December 2013, certain new standards, revisions to standards and interpretations applicable to the Company had not yet become effective and were not used to prepare these financial statements.

The most important included:

IAS 32 – Financial instruments (Improvement) – in December 2011 the IASB published amendments to IAS 32 clarifying the criteria to be able to offset financial assets and liabilities. In December 2012 it was published in the Official Journal of the European Union. The application of the new standard is mandatory from 1 January 2014. Early application is allowed. The amendments must be applied retroactively.

Investment company (amendments to IFRS 10, IFRS 12, and IAS 27) – The IASB published the amendments in October 2012 and will allow investment companies, under certain conditions, to not proceed with the consolidation of investments based on the concept of control. The European Union has still not completed the endorsement process.

IFRS 9 Financial Instruments – The standard, issued in 2009 and subsequently amended, represents the first part of a step-by-step process that has the purpose of entirely superseding IAS 39 and introduces new criteria for the classification and measure of the financial assets and liabilities. The standard must be applied retrospectively starting 1 January 2015 and the European Union has still not completed the endorsement process.

Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36) – The amendments, issued in May 2013 as a consequence of the issuing of IFRS 13, clarify that the disclosure must be limited to the recoverable amount of the asset determined based on the fair value less costs of disposal. The European Union has still not completed the endorsement process.

IFRIC 21 Levies – The interpretation, issued in May 2012, deals with the issues associated with the recording of levies and indirect taxes owed to the Government for certain activities. The European Union has still not completed the endorsement process.

3. ***Financial risk management***

The Group is subject to a number of operating and financial risks in the normal course of its business. Group policy is to eliminate or at least minimise such risks through hedging strategies. The Group therefore has in place formal procedures for definition of the objectives and procedures for the hedging of the following risks: credit risk, liquidity risk, currency risk, interest rate rate and above all the commodity risk.

Types of risk:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information, credit lines in existence, insurance and the factoring of the greatest part of receivables without recourse.

b) liquidity risk: can arise from the inability to raise working capital financing as and when required. All inflows and outflows and cash balances of Group companies are centrally monitored and managed by Group Treasury. The Group intends to meet its cash requirements for the repayment of non-curent loans and borrowings and capital expenditure through cash flows from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit. Given the current environment, the Group intends to maintain sufficient operating cash flow generation capacity through measures designed to control the level of working capital and, in particular, cash needs arising from raw material inventories;

c) currency risk: the Group operates internationally and it engages in transactions in a number of currencies and interest rates. The exposure to currency risk arises primarily from the geographic location of the markets on which the Group sells its products. It is Group policy to hedge all of the above risks through derivative financial instruments such as cross currency swaps and forward contracts;

d) interest rate risk: interest rate risk, to which the Group is exposed, arises primarily in connection with non-current financial liabilities. Floating rate payables expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value. The Group currently has no IRS (interest rate swaps) on the books which convert floating interest rates into fixed interest rates;

e) commodity risk (mainly copper): is the most significant and strategic of the risks. The objective is to fully hedge this risk through trading in physical goods or forward contracts on the London Metal Exchange (LME). Specifically, all metal price fixing sales and purchase contracts are netted daily and the change in the net open position is generally hedged by LME contracts so that the company is not exposed to overnight price risk. LME contracts are normally paper deals (i.e., settled through the payment of differentials), whereas trading in physical goods may require delivery of the actual commodity, finished goods or semi-finished products. In actuality both types are physical transactions that could be settled through: cash and cash equivalents of the spread, issuing of another financial instrument or exchange of financial instruments. This is also the case for price fixing sales and purchase contracts with customers and suppliers which, although normally settled by physical delivery, may also be settled prior to the delivery date by squaring positions and can also be used to take advantage of opportunities on the market which would otherwise have to be ignored without, however, making physical delivery of the commodity. The concept of similarity and neutrality for LME and physical goods trading is supported by:

- having analogous methods of execution (physical or payment of differentials);
- having the same reference price (LME quotation);
- being managed through only one risk management "position", changes in which are linked to operational factors, and only one "administrative and accounting" system;
- reliably determining fair value.

The fact that both LME contracts and customer and supplier contracts may both be settled through payment of differential market prices means that, in accordance with paragraph 6b of IAS 39, metal price fixing sales and purchase contracts can, similarly to financial instruments, be accounted for at fair value with changes in fair value recognised in profit or loss under "Purchases and changes in raw materials".

All derivative financial instruments used by the Group are not designated as hedging instruments within the meaning of IAS 39, even though they were acquired to manage the aforementioned risks (please refer to paragraph 2.7).

In fact, the Group does not use derivative financial instruments for speculative purposes but in any case it recognizes the aforementioned financial instruments according to the rules of “hedge accounting” as the transaction does not fulfill the official requirements set forth in IAS 39.

4. Notes to the consolidated financial statements

4.1. Property, plant and equipment:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Land	53,040	54,743	(1,703)
Buildings	78,885	88,809	(9,924)
Plant and equipment	365,764	382,650	(16,886)
Moveable property	26,372	27,681	(1,309)
Payments on account and assets under construction	16,365	8,868	7,497
Property, plant and equipment	**540,426**	**562,751**	**(22,325)**

Changes in the year may be summarised as follows:

(thousands of Euro)	*Land*	*Buildings*	*Plant and equipment*	*Moveable assets*	*Payment on accounts*	*Total*
Gross amount	55,005	211,376	1,085,774	101,053	8,868	1,462,076
Accumulated depreciation	(262)	(122,567)	(703,124)	(73,372)	-	(899,325)
Total as at 31 December 2012	**54,743**	**88,809**	**382,650**	**27,681**	**8,868**	**562,751**
Gross amount at 31 December 2012	**55,005**	**211,376**	**1,085,774**	**101,053**	**8,868**	**1,462,076**
Purchases in the year	-	650	4,815	2,956	20,978	29,399
Reclassifications	(1,311)	(2,599)	(17,112)	(117)	(13,192)	(34,331)
Increase in cost due to translation differences	(95)	(226)	(1,473)	(53)	(25)	(1,872)
Disposals (cost)	(264)	(5,576)	(62,129)	(4,617)	(197)	(72,783)
Gross amount as 31 December 2013	**53,335**	**203,625**	**1,009,875**	**99,222**	**16,432**	**1,382,489**
Accumulated depreciation as 31 December 2012	**(262)**	**(122,567)**	**(703,124)**	**(73,372)**	**-**	**(899,325)**
Reclassifications	-	(475)	27,747	1,208	-	28,480
Depreciation and impairment loss	(292)	(7,101)	(30,983)	(4,818)	-	(43,194)
Impairment and write-downs	-	165	2,072	-	(67)	2,170
Increase in depreciation due to translation differences	3	37	1,069	45	-	1,154
Disposals (accumulated depreciation)	256	5,201	59,108	4,087	-	68,652
Accumulated depreciation as 31 December 2013	**(295)**	**(124,740)**	**(644,111)**	**(72,850)**	**(67)**	**(842,063)**
Gross amount	53,335	203,625	1,009,875	99,222	16,432	1,382,489
Accumulated depreciation	(295)	(124,740)	(644,111)	(72,850)	(67)	(842,063)
Total as 31 December 2013	**53,040**	**78,885**	**365,764**	**26,372**	**16,365**	**540,426**
of which under finance leases	1,300	3,246	1,765	-	-	6,311

Changes in the previous year were as follows:

(thousands of Euro)	*Land*	*Buildings*	*Plant and equipment*	*Moveable Property*	*Payments on account*	*Total*
Gross amount	55,872	209,604	1,049,699	95,430	28,151	1,438,756
Accumulated depreciation	(228)	(117,447)	(675,189)	(65,778)	-	(858,642)
Total as 31 December 2011	**55,644**	**92,157**	**374,510**	**29,652**	**28,151**	**580,114**
Gross amount as 31 December 2011	**55,872**	**209,604**	**1,049,699**	**95,430**	**28,151**	**1,438,756**
Purchases in the year	541	2,388	8,151	2,619	21,548	35,247
Reclassifications	(1,416)	(1,753)	33,884	3,374	(40,432)	(6,343)
Change in scope of consolidation (cost)	-	1,166	37	992	-	2,195
Increase in cost due to translation differences	64	40	1,067	33	29	1,233
Disposals (cost)	(56)	(69)	(7,064)	(1,395)	(428)	(9,012)
Gross amount as 31 December 2012	**55,005**	**211,376**	**1,085,774**	**101,053**	**8,868**	**1,462,076**
Accumulated depreciation as 31 December 2011	**(228)**	**(117,447)**	**(675,189)**	**(65,778)**	**-**	**(858,642)**
Reclassifications	-	2,846	1,221	(1,734)	-	2,333
Change in scope of consolidation (provision)	-	(1,164)	(29)	(721)	-	(1,914)
Depreciation	(34)	(6,923)	(32,673)	(5,955)	-	(45,585)
Impairment lossess	-	-	(2,246)	-	-	(2,246)
Increase in depreciation due to translation differences	-	(2)	(903)	(34)	-	(939)
Disposals (accumulated depreciation	-	123	6,695	850	-	7,668
Accumulated depreciation as 31 December 2012	**(262)**	**(122,567)**	**(703,124)**	**(73,372)**	**-**	**(899,325)**
Gross amount	55,005	211,376	1,085,774	101,053	8,868	1,462,076
Accumulated depreciation	(262)	(122,567)	(703,124)	(73,372)	-	(899,325)
Total as 31 December 2012	**54,743**	**88,809**	**382,650**	**27,681**	**8,868**	**562,751**
of which funded through finance leases	1,300	3,303	4,539	-	-	9,142

Following is the distribution by geographic segment of property, plant and equipment:

(millions of Euro)	*31 Dec. 2013*		*31 Dec. 2012*	
	Amount	*%*	*Amount*	*%*
Germany	235.9	43.7%	261.3	46.4%
Italy	219.4	40.6%	213.7	38.0%
France	52.1	9.6%	52.6	9.4%
United Kingdom	11.2	2.1%	12.1	2.2%
Spain	9.1	1.7%	9.6	1.7%
China	10.3	1.9%	10.5	1.9%
Other	2.4	0.4%	3.0	0.5%
Total	**540.4**	**100.0%**	**562.8**	**100.0%**

On the real estate and industrial equipment belonging to the Osnabrück plant of KME Germany Gmbh & CO. K.G. for an amount equal to Euro 198.86 million (Euro 198.15 million at the previous year end), there is a first degree mortgage securing the Group's credit lines.

Property, plant and equipment under finance leases include:

- Euro 4.5 million for the Firenze Novoli real estate property, which houses the copper sector headquarters. The lease for this building contains a purchase option exercisable on 30 September 2016;
- Euro 4.1 million for a new furnace installed in the foundry department within the plant of Fornaci di Barga.

Future minimum payments under finance leases at the year end and the relevant present value are shown below:

(thousands of Euro)	*within 1 year*	*from 1 to 5 years*	*over 5 years*	*Total*
Minimum lease payments	919	5,206	350	6,475
of which interest	208	415	4	627
Present value	**711**	**4,791**	**346**	**5,848**

Amounts at 31 December 2012 were as follows:

(thousands of Euro)	*within 1 year*	*from 1 to 5 years*	*over 5 years*	*Total*
Minimum lease payments	853	5,456	945	7,254
of which interest	270	643	21	934
Present value	**583**	**4,813**	**924**	**6,320**

4.2. Investment property

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Investment property	**80,665**	**80,104**	**561**

In addition to investments in the "financial and real estate assets" sector of Euro 38.6 million, the item consists of land and buildings of Euro 42.1 million owned by Immobiliare Agricola Limestre Srl, KME Italy SpA and Greenrecycle Srl.

Investment property, which is held in order to generate lease income or to appreciate the invested capital, is recorded at fair value on the basis either of appraisals made by independent external experts with recognised and relevant professional qualifications that are confirmed by the directors or valuations made by technical staff from within the Group.

The change in the item over the last years was as follows:

(thousands of Euro)	
Total at 31 December 2012	**80,104**
Increases in the year	7
Reclassifications	(249)
Decreases	(1,383)
Fair value adjustments	2,186
Total at 31 December 2013	**80,665**

The "*Reclassifications*" represent the balance of the transfer of property in the copper sector previously utilized as operating property (Euro 5.9 million) and the reclassification to "*Non-current assets held for sale"* referring to the property located in Paris (Euro 6.1 million).

The "*Fair value adjustments*" are positively influenced by the adjustment to the Paris property (Euro 2.2 million) and the properties in the copper sector (Euro 2.0 million) and it is negatively affected by the adjustments to the Bologna property (Euro 2.0 million).

At 31 December 2013 this item can be broken down as follows:

▪ Buildings connected to the Copper sector	42,067
▪ Bologna Area	19,000
▪ Varedo area	15,000
▪ Ivrea area	4,020
▪ Other	578
Total	80,665

The following amounts were recognised in profit or loss in 2013:

- lease income of Euro 1,766 thousand;
- operating costs directly relating to the investment property of Euro 622 thousand.

4.3. Goodwill

The amount of Euro 125,801 thousand is entirely due to goodwill arising on consolidation in the copper and copper-alloy semi-finished products sector, except for Euro 7,437 thousand relating to operations in the special situations sector.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Goodwill	**125,801**	**125,801**	**-**

It is hereby noted that there have been no movements in the year and there have never been adjustments for accumulated impairment losses.

It should be noted that, for the purposes of carrying out the impairment test at 31 December 2013 with the support of an external advisor for the copper and copper-alloy semi-finished products sector which coincides with the carrying of the subsidiary KME AG - in other words the scope of the consolidated financial statements of KME AG including the related goodwill recorded in the consolidated financial statements - the Plan for 2014 -2018 ("the Plan") was used as prepared at Group level and approved by the Intek Group Board of Directors on 28 April 2014 and by the KME AG Board of directors on 16 April 2014.

Compared to those used previously in *impairment test*s, the plan is characterized by a review downward of the future flows also in light of the results reached during 2013.

The main assumptions underlying the industrial plan for 2014 -2018 envisage:

- progressive recovery of the sales volumes of approximately 3% annually (the increase in consumption of copper at the global level (CAGR 2012-2016) is 4.5%) up to levels reflected the quantity sold in 2010-2011 are expected to be reached in 2018;
- increase in the added value (CAGR of approximately 5.6%) connected to the stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators that provide for an essentially stable trend;
- significant recovery in EBITDA (gross operating profit/loss) mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- inflation of 3%;
- stable investments equal to approximately 5% of net assets.

The impairment test carried out at the year end date 2013 was developed by determination of the *"value in use"* using the discounted cash flow (DCF) method, which involves discounting the operating cash flows generated by the assets of the (net of the tax effect) at a discount rate which is representative of the weighted average cost of capital (WACC) of 8.7%) plus an additional premium of 1.5% to reflect the risks inherent in the estimates taking into account the historic deviations which have been recorded. The DCF method was applied using as a basis the forecasts and changes in some financial statement items contained in the aforementioned plan.

The terminal value has been calculated using the assumptions that long-term EBITDA (gross operating profit/loss) is the EBITDA (gross operating profit/loss) recorded in the Plan in the last 5 years (explicit period), that amortisation is equal to investments and using a long-term growth rate “g” of zero.

As provided by IAS 36.33, the projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations.

The WACC rate was determined on the basis of the following parameters:

- *risk free-rate:* weighted average of the 10 year government *bond*s in each country in which the Group operates;
- *market risk premium:* equal to 5%, in line with the Italian valuation practices;
- cost of debit: 10-year European swap rate at 31 December 2013 plus a 3% spread;
- unlevered Beta: average of the beta coefficients of a sample of comparable listed companies plus an additional risk premium of 2%.

It should be noted that in 2012 the cash flows were discounted using a WACC discount rate of 8.8%, net of taxes. This rate took into account an average risk free rate of 3.23%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year.

The aforementioned impairment was also tested for sensitivity using a WACC of 8.2% at 12.2% and a growth rate “g” from 0 to 2% and an alternative scenario for the calculation of the *terminal value* calculating assuming that the long-term EBITDA is equal to the average Plan EBITDA for the for three years at a discount rate representing the average cost of capital (WACC) equal to 8.7% increased by an additional premium of 1.5% to reflect the risks intrinsic in the forecasts taking into account the historic deviations which have been recorded.

The sensitivity analysis did not reveal the need for any impairment on the basis of a “g” growth rate of up to 2% or an increase in WACC of 2.0%.

The impairment test undertaken, on the basis of the analyses and findings set out above, resulted in a minimum enterprise value of Euro 605.6 million compared to net invested capital in the copper sector of Euro 582.8 million and therefore no need was seen to make any impairment, also on the basis of the sensitivity analysis described above.

4.4. Intangible assets

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Other	2,446	3,035	(589)
Payments on account and assets under development	123	510	(387)
Intangible assets	**2,569**	**3,545**	**(976)**

The intangible assets shown above primarily relate to software and have finite useful lives.

Research and development expenditure is recognized directly in profit or loss. Research and development expenditure in 2013 amounted to Euro 1.3 million (Euro 2.0 million in 2012).

The changes in 2013 were as follows:

(thousands of Euro)	*Other*	*Payments on account and assets under development*	*Total*
Gross amount	14,184	510	14,694
Accumulated amortisation	(11,149)	-	(11,149)
Total at 31 December 2012	**3,035**	**510**	**3,545**
Gross amount at 31 December 2012	**14,184**	**510**	**14,694**
Purchases in the year	307	361	668
Reclassifications	702	(702)	-
Decreases (cost)	(854)	(46)	(900)
Gross amount at 31 December 2013	**14,339**	**123**	**14,462**
Accumulated amortisation at 31 December 2012	**(11,149)**	**-**	**(11,149)**
Amortisation and impairment losses	(1,596)	-	(1,596)
Decreases (accumulated amortisation)	852	-	852
Accumulated amortisation at 31 December 2013	**(11,893)**	**-**	**(11,893)**
Gross amount	14,339	123	14,462
Accumulated amortisation	(11,893)	-	(11,893)
Total at 31 December 2013	**2,446**	**123**	**2,569**

The following changes took place in 2012:

(thousands of Euro)	*Other*	*Payments on account and ongoing development*	*Total*
Gross amount	12,338	365	12,703
Accumulated amortisation	(9,721)	-	(9,721)
Total at 31 December 2011	**2,617**	**365**	**2,982**
Gross amount at 31 December 2011	**12,338**	**365**	**12,703**
Purchases in the year	330	745	1,075
Reclassifications	600	(600)	-
Change in scope of consolidation (cost)	930	-	930
Decreases (cost)	(221)	-	(221)
Gross amount at 31 December 2012	**13,977**	**510**	**14,487**
Accumulated amortisation at 31 December 2011	**(9,721)**	**-**	**(9,721)**
Change in scope of consolidation (provisions)	(424)	-	(424)
Amortisation and impairment losses	(1,020)	-	(1,020)
Decreases (accumulated amortisation)	223	-	223
Accumulated amortisation at 31 December 2012	**(10,942)**	**-**	**(10,942)**
Gross amount	13,977	510	14,487
Accumulated amortisation	(10,942)	-	(10,942)
Total at 31 December 2012	**3,035**	**510**	**3,545**

4.5. *Investments in subsidiaries, associates and other companies*

The breakdown of the item was as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Investments in subsidiaries and associates	11,940	13,810	(1,870)
Investments in other companies	270	270	-
Equity-accounted investees	38,601	35,221	3,380
Investments	**50,811**	**49,301**	**1,510**

The related change was as follows:

(thousands of Euro)	*Investments in subsidiaries and associates*	*Investments in other companies*	*Equity-accounted investees*	*Total*
Total at 31 December 2012	**13,810**	**270**	**35,221**	**49,301**
Increases	2,103	-	4,486	6,589
Translation differences	(13)	-	153	140
Decrease	(10)	-	-	(10)
Other movements	-	-	906	906
(Impairment losses)/Reversal of impairment losses	(3,950)	-	(2,165)	(6,115)
Change of the year	*(1,870)*	-	*3,380*	*1,510*
Total at 31 December 2013	**11,940**	**270**	**38,601**	**50,811**

The changes in “*Investments in subsidiaries and associates*” mainly refer to the equity investment in Culti Srl.

The increases in the “*Investments in subsidiaries and associates*” include the increase respectively of Euro 1.2 million and Euro 0.7 million following the establishment of KME America Marine Holding Ltd and KME MADGA Service Ukraine LCC by KME Germany GmbH & Co. KG.

“Equity-accounted investees” regard the joint-control investments in ErgyCapital SpA and Cobra AT SpA. At the date of these consolidated financial statements, the Group owned joint ventures arising from investment in 77,447,228 ordinary shares or 46.37% of the share capital of ErgyCapital SpA. Despite the absence of an equal proportion of voting rights, control of the economic activity and strategic guidelines of this investee is divided with the partner Aledia SpA by virtue of the contracts that pledge 25,412,895 ordinary shares of ErgyCapital SpA or 26.80% of the share capital held by KME Partecipazioni SpA.

Furthermore the Group holds, with the same objectives, purposes and short-term perspective, 20,237,364 ordinary shares (5,277,893 at 31 December 2012) or 12.12% of the share capital of ErgyCapital SpA classified, as in previous years, under financial assets held for trading.

In 2013, the group subscribed its relevant portion in the ErgyCapital SpA share capital increase, equal to Euro 7,181 thousand, through the offsetting of loan asset due from ErgyCapital SpA itself. Following this, the total investment proportion increased from 51.37% to 61.26% to then drop to 58.49% following the sales which took place subsequently.

Jointly controlled entities belonging to the Group derive also from the equity investment consisting of 41,425,750 ordinary shares equal to 42.68% of the share capital of Cobra A.T. SpA. Additionally, the Group holds 8,465,810 ordinary shares equal to 8.72% of the share capital of Cobra A.T Spa classified among financial assets held for trading as they are held for a short term period. In this case the control over the business and the strategic direction of the investee is shared with Cobra A.T. SA by virtue of contractual agreements which contain commitments for the stable regulation of corporate governance and reciprocal dealings as shareholders, under which the Group does not have the power to appoint the majority of the members of the Board of Directors and only has minority voting rights on the Board since two of the five members appointed to it must have the prerequisites for independence pursuant to art. 147-*ter*, TUF (*Testo Unico della Finanza* – Italian Consolidated Finance Act).

The detail of the transactions for the ErgyCapital SpA and Cobra AT SpA investments is shown below:

(thousands of Euro)	*ErgyCapital S.p.A.*	*Cobra A.T. SpA*	*Total*
Increases	4,486	-	4,486
Translation differences	-	153	153
Other movements	828	78	906
(Impairment losses)/Reversal of impairment losses	(1,193)	(972)	(2,165)
Change of the year	**4,121**	**(741)**	**3,380**

The other transactions originated from changes in the investees' equity.

The unconsolidated Group's investments are listed below:

Name	Registered offices	Operations	% ownership Intek Group		31 Dec. 2013	31 Dec. 2012
			direct	indirect	(thousands of Euro)	
AMT - Advanced Mould Technology India Private Ltd.	India	Industrial	-	99.60%	1,500	1,500
Breda Energia SpA in administrative compulsory liquidation	Italy	Not operational	-	99.99%	120	119
Bredafin Innovazione SpA in LCA	Italy	Not operational	-	99.99%	141	141
Culti S.r.l.	Italy	Commercial	-	100.00%	1,361	5,361
Europa Metalli Trèfimétaux UK Ltd	Great Britain	Not operational	-	100.00%	480	490
FEB Investimenti Srl	Italy	Not operational	100.00%	-	10	10
Il Post Srl	Italy	Publishing	-	31.54%	400	400
KME - Hungaria Szinesfem Kft.	Hungary	Industrial	-	100.00%	8	8
KME (Suisse) SA	Swizerland	Industrial	-	100.00%	1,000	1,000
KME America Inc.	USA	Industrial	-	100.00%	7	7
KME America Marine Holding Ltd	USA	Holding	-	100.00%	1,214	-
KME Asia Pte Ltd	Singapore	Industrial	-	100.00%	99	99
KME Benelux SA	Belgium	Industrial	-	84.70%	883	883
KME Chile Lda	Chile	Industrial	-	100.00%	18	18
KME Czech Republic	Czec Republic	Industrial	-	100.00%	-	3
KME Engineering S.r.l.	Italy	Liquidata	-	100.00%	-	10
KME Germany Holding GmbH	Germany	Not operational	-	100.00%	27	-
KME Germany Service GmbH	Germany	Not operational	-	100.00%	27	-
KME India Private Ltd.	India	Industrial	-	100.00%	92	92
KME Kalip Servis Sanayi	Turkey	Industrial	-	85.00%	358	358
KME MAGDA Service Ukraine LCC	Ukraine	Industrial	-	70.00%	745	-
KME Metal GmbH	Germany	Not operational	-	100.00%	-	-
KME Metals (Shanghai) Trading Ltd	China	Industrial	-	100.00%	81	81
KME Polska Sp. Zo.o.	Poland	Industrial	-	100.00%	64	64
Metal Center Danmark A/S	Denmark	Industrial	-	30.00%	134	134
P.H.M. Pehamet Sp.Zo.o	Poland	Industrial	-	59.79%	1,220	1,218
Progetto Ryan 2 S.r.l.	Italy	In liquidation	88.00%	-	400	500
Societe Haillane de Partecipations	France	Not operational	-	99.99%	40	40
Special Steel SE Asia Ltd	Singapore	Industrial	-	25.00%	87	-
Warrant ErgyCapital SpA	Italy	Energy	-	n.a.	1,424	1,170
Zahner KME GmbH	Germany	Industrial	-	50.00%	-	104
Investments in subsidiaries and associates					**11,940**	**13,810**
Editoriale Fiorentina Srl	Italy	Publishing		7.13%	142	142
Other KME France SAS investments	France	Miscellaneous	n.a.	n.a.	116	116
Other former Intek SpA investments	Italy	Miscellaneous	n.a.	n.a.	12	12
Investments in other companies					**270**	**270**
ErgyCapital SpA	Italy	Energy		46.37%	16,699	12,578
Cobra A.T. SpA	Italy	Services		42.68%	21,902	22,643
Equity-accounted investees					**38,601**	**35,221**

"Other KME France SAS investments" include small investments (generally less than 1%) in companies operating in the construction sector. French companies are, in fact, required to pay a certain percentage of the personnel expense as contributions, loans or investments to assist their staff in purchasing real estate.

4.6. *Other non-current assets*

The breakdown of the item was as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Guarantee deposits	540	754	(214)
Receivables for disposal of investments	-	1,000	(1,000)
Other receivables	5,712	6,564	(852)
Other non-current assets	**6,252**	**8,318**	**(2,066)**

The "*Receivables for disposal of investments*" refer to the sale of the investment in Ducati Energia which took place in 2011. They were reclassified under current assets as they expire in October 2014.

"Other receivables" include receivables from foreign-company employees.

4.7. *Non-current financial assets*

This item can be broken down as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Bank deposits pledged as collateral	3,595	4,410	(815)
Closed-end investment funds	9,380	17,075	(7,695)
Receivables due from associates	175	175	-
Other non-current financial assets	3,051	3,051	-
Non-current financial assets	**16,201**	**24,711**	**(8,510)**

"Bank deposits pledged as collateral" include Euro 2,909 thousand relating to a deposit at Unicredit Banca d'Impresa SpA that has been pledged to Unicredit Mediocredito Centrale SpA (MCC). The balance must always be equal to 1/16 (one sixteenth) of the loan outstanding from time to time, in addition to accrued interest due and payable on the next payment date. Any amounts on the account in excess of that amount are immediately made available. For further details regarding the amount and the nature of the loan please refer to paragraph 4.16. The item also includes bank guarantee deposits issued in the special situations sector.

The stakes in *"Closed-end investment funds"* relate almost entirely to the Intek Group holding (19.1%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The reduction compared to 31 December 2012 is due to the distributions received of Euro 6,926 thousand, new payments of Euro 495 thousand and impairment losses made at the end of the year of Euro 1,264 thousand.

4.8. *Inventories*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Raw materials, consumables and supplies	460,115	503,749	(43,634)
Work in progress and semi-finished products	29,424	31,607	(2,183)
Finished goods	36,054	35,637	417
Inventories	**525,593**	**570,993**	**(45,400)**

The reduction in the inventories can be associated with the reduction in the raw material prices. At 31 December 2013, the price of several metals (mainly copper, silver, zinc and nickel) as they resulted from the application of the FIFO method was higher compared to their realisable amount as determined according to note 2.9, by Euro 7.3 million (Euro 21.3 million in the previous year). An allowance for inventory write-down of this same amount was recognised.

(in tonnes)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*	*Change%*
Property stock	**85,212**	**85,524**	**(312)**	**-0.36%**

Of the above amount 81.6 thousand tonnes (unchanged with respect to the previous year), consisting mainly of copper, have been pledged as collateral for credit lines extended to the Group.

4.9. Trade receivables

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due from customers – gross amount	*122,182*	*127,500*	*(5,318)*
Allowance for impairment	*(14,164)*	*(14,814)*	*650*
Due from customers – net amount	108,018	112,686	(4,668)
Due from associates	6,406	6,175	231
Receivables for factoring/leases	9,338	10,985	(1,647)
Trade receivables	**123,762**	**129,846**	**(6,084)**

"Due from customers" include Euro 41.6 million factored with recourse

A sum of Euro 0.8 million of the receivables due from customers (Euro 1.1 million at 31 December 2012) is tied up as security for the credit lines granted to the Group.

The receivables for leases and factoring, which arise from the Intek merger, relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring.

The Directors are of the opinion that the carrying amount of trade receivables approximates their fair value.

4.10. Other current receivables and assets

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Tax receivables	22,108	19,100	3,008
Advance payments to suppliers	2,259	4,196	(1,937)
Receivables from special situations	6,832	6,882	(50)
Prepayments and accrued income	5,063	2,658	2,405
Other receivables	21,319	17,192	4,127
Other current receivables and assets	**57,581**	**50,028**	**7,553**

"*Other receivables*" consist mainly of:

- receivables from local authorities, essentially referring to the German companies, for refunds relating to energy costs of Euro 10.6 million.
- receivables from personnel and social security agencies of Euro 4.5 million;
- receivables from insurance companies amounting to Euro 0.7 million.

"*Receivables from special situations"* mainly include receivables arising from bankruptcy proceedings for Euro 3,332 thousand and receivables guaranteed by properties for Euro 3,500 thousand. Receivables due from bankruptcy proceedings relate to positions in regard to the Finanziaria Ernesto Breda proceeding in order to guarantee receivables for its subsidiaries which are in administrative compulsory liquidation and which will be collected on the basis of progress in these companies' insolvency procedures. The receivables guaranteed by properties were the subject of a settlement during 2013 with the debtor. Based on this agreement, the ownership of certain property assets located in Sicily may be transferred to the subsidiary I2 Real Estate.

"*Tax assets*" include, among other things, receivables for direct taxes of Euro 3,951 thousand (of which Euro 2,500 thousand has been requested for refund) and VAT receivables for Euro 1,984 thousand of the Parent. The receivables related to the copper sector are equal to Euro 6,488 thousand. The residual portion mainly relates to FEB-Ernesto Breda SpA for receivables accrued during the company's liquidation procedures which were sold in 2014 against Euro 8.2 million.

The carrying amount of other receivables is believed to approximate their fair value.

4.11. *Current financial assets*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Financial assets held for trading	8,441	4,082	4,359
LME and metal purchase/sale contracts	15,106	23,312	(8,206)
Interest Rate Swap (IRS) and forward contracts	666	1,021	(355)
Receivables from factoring companies	65,680	65,975	(295)
Other current financial assets	462	4,353	(3,891)
Loan assets from associates	10,915	14,133	(3,218)
Current financial assets	**101,270**	**112,876**	**(11,606)**

"*Financial assets held for trading*" consist of, among other things:

- 20,237,364 ErgyCapital SpA ordinary shares, which are carried at their official price at the year end (Euro 0.174 per share);
- 5,621,550 ErgyCapital SpA warrants, which are carried at their official price at the year end (Euro 0.028 per warrant);
- 8,465,810 Cobra AT SpA ordinary shares, which are carried at their official price at the year end (Euro 0.551 per share);

"*LME and metal purchase/sale contracts*" are recognised at the fair value of contracts outstanding at the end of the reporting period.

"Receivables due from factoring companies" of Euro 47.0 million are carried at the amounts of receivables assigned without recourse but not yet collected at the year end of the reporting period and the revolving amount of the consideration which will be collected upon the due dates of the relative invoices factored of Euro 18.7 million.

In reference to the Consob Communication no. DEM/11070007 of 5 August 2011 which drew on the document issued by the European Securities and Markets Authority (ESMA), it is specified that the Group has no investments in sovereign debt securities.

Cash and cash equivalents

"Cash and cash equivalents" consist of bank and post office accounts and cash on hand.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Bank and post office accounts	38,491	63,127	(24,636)
Cash holdings	3,304	2,686	618
Cash and cash equivalents	**41,795**	**65,813**	**(24,018)**

4.12. *Non-current assets held for sale*

These regard property assets (Padua, Paris, and Sezze) that are expected to be disposed of within the next twelve months. In particular, the Paris property, recognized at Euros 6,100 thousand, constitute the object of an agreement with the *Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti* for payment of the amount due to the latter.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Properties held for sale	7,795	4,590	3,205
Non-current assets held for sale	**7,795**	**4,590**	**3,205**

During the year the sale of the Conegliano Veneto building was completed against Euro 2,550 thousand and a portion of the building in Padua was sold as well for Euro 1,200 thousand.

4.13. *Equity*

For an illustration of the changes in consolidated equity please see the “Statement of changes in equity” (the “technical consolidation reserves” item includes the subsidiaries’ profit from previous years net of consolidation adjustments, the consolidation reserve and the translation reserve).

4.14. *Employee benefits*

(thousands of Euro)	*31 Dec. 2012*	*Increases*	*Decrease*	*Translation differences*	*31 Dec. 2013*
Post-employment benefits	17,522	119	(1,914)	-	15,727
Defined benefit plans	217,867	11,688	(10,618)	-	218,937
Employee benefits	**235,389**	**11,807**	**(12,532)**	**-**	**234,664**

“Defined benefit plans” are recognized net of any plan assets. Euro 183.2 million of defined benefit plans relate to the German subsidiaries and Euro 35.7 million relate to the subsidiary KME Yorkshire Ltd.

The main criteria used in the measure of “*Employee Benefits* ” are as follows:

General Criteria	*31 Dec. 2013*	*31 Dec. 2012*
Discount rate	2.5-4.5%	2.4-4.5%
Rate of return on plan assets	4.5%	6.3%
Rate of increase in future remuneration	1%	1%
Future increase in services	2.0-3.15%	2.0-3.0%
Average remaining working life	13 years	13 years
General Criteria		

For 2013 regarding the actuarial measurement of the post-employment benefits (TFR) a discount rate based on the “Iboxx Eurozone Corporate AA” index was used, while last year the “Iboxx Eurozone Corporate A” was used.

The effects on profit or loss included under item *“Personnel expenses”* are as follows:

(thousands of Euro)	*2013*	*2012*
Current service cost	2,978	3,358
Interest expense	6,846	11,128
Past service cost	(40)	1,566
Effect of any curtailment or settlement	(2)	-
Cost recognised in profit or loss	**9,782**	**16,052**

The analysis of funded and unfunded liabilities is as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Present value of partially or fully funded obligations	199,958	206,663
Present value of unfunded obligations	102,363	92,364
Present value of defined benefit obligation	**302,321**	**299,040**
Plan assets	(67,659)	(63,138)
(Surplus) deficit	**234,662**	**235,902**

The change of the present value of the obligation and that of the plan assets are analyzed below.

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Opening balance of obligation	299,040	270,893
Change in scope of consolidation	-	347
Current service cost	2,978	3,411
Interest on obligation	9,435	11,128
Plan participants' contribution	-	462
Adjustments based on experience	(3,331)	-
Actuarial (gains) losses	12,036	23,080
Curtailment or settlements	(40)	1,594
Translation differences on foreign plans	(1,716)	1,686
Benefits provided and paid	(16,179)	(13,659)
Effect of any curtailment or settlement	98	98
Past service cost	-	-
Present value of the obligation	**302,321**	**299,040**

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Opening balance	63,138	56,662
Interest income	2,589	-
Expected return on plan assets	1,292	3,406
Actuarial gains (losses)	6,186	3,813
Translation differences on non-Euro plan assets	(1,195)	1,276
Employer contributions	1,112	1,445
Plan participants' contribution	-	462
Benefits provided and paid	(5,463)	(3,926)
Fair value of plan assets	**67,659**	**63,138**

Plan assets comprise:

(thousands of Euro)	*31 Dec. 2013*	%
Equities listed on active markets	36,674	54.2%
Fixed Income Securities listed on active markets	24,608	36.4%
Fixed Income Securities not listed on active markets	146	0.2%
Cash and cash equivalents	4,691	6.9%
Other	1,540	2.3%
Plan assets	**67,659**	**100.0%**

4.15. *Non-current loans and borrowings*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Bank loans and borrowings	91,235	331,295	(240,060)
Due to lease companies	5,611	6,409	(798)
Due to others	23	4,280	(4,257)
Intek Group 2012/2017 SFP	46,869	46,472	397
Intek Group 2012/2017 bonds	10,726	10,594	132
Non-current loans and borrowings	**154,464**	**399,050**	**(244,586)**

The decrease in the item is connected to the reclassification of the current liabilities and debts connected to credit lines for the copper sector expiring within twelve months which are currently under renewal.

The distribution by sector of activity follows below:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Parent	-	4,666	(4,666)
Copper sector	71,062	302,037	(230,975)
Real Estate sector	20,173	24,592	(4,419)
Non-current bank loans and borrowings	**91,235**	**331,295**	**(240,060)**

The debts of the Parent mainly referred to a loan from GE Capital payable at the end of June 2014 and therefore classified among current liabilities, which includes also another loan of a residual amount of Euro 5 million from GE Capital, the expiration of which has been extended to December 2014.

The loans applicable to the "copper" sector are the following:

(thousands of Euro)	*Current*	*Non-current*	*Total*
Loan by banking syndicate	222,100	34,859	256,959
Unicredit Mediocredito Centrale	13,110	32,221	45,331
Other	-	3,982	3,982
"Copper" sector loans	**235,210**	**71,062**	**306,272**

KME AG, together with its subsidiaries, has an outstanding loan agreement with a banking syndicate (Deutsche Bank AG, Commerzbank Aktiengesellschaft, Unicredit SpA, Banca Nazionale del Lavoro SpA, Mediobanca- Banca di Credito Finanziario SpA, Banca Popolare di Milano Scrl., Intesa Sanpaolo SpA, Banca Monte dei Paschi di Siena SpA) with Deutsche Bank AG as the lead bank. The agreement covers two credit lines totaling Euro 565 million (of which Euro 305 million for letters of credit) named "Tranche A" (in the form of a revolving loan to cover the inventory needs of the industrial companies) and " Tranche B" (in the form of a revolving loan to cover the month to month inventory needs of the industrial companies) characterized by considerable flexibility in relation to the Group's financing requirements.

The loan expires in January 2015 and covenants apply to it, which are verified every six months and based on the EBITDA/Financial Expense ratio and the gross financial debt/consolidated equity ratio, all complied at 31 December 2013.

At the end of 2013, the Group began negotiations with the banking syndicate for renewal, to July 2016, of the contract. To date, all the banks have confirmed their willingness to renew without substantial changes to the credit lines in existence and the respective credit authorization processes are in an advanced phase, so that the directors reasonably expect that by mid May 2014 a formal approval of the renewal of the terms discussed will be reached.

To guarantee repayment of the aforementioned credit lines, the following was agreed:

- a pledge, with reservation of the voting right, of the shares and stakes of KME AG subsidiaries: KME Italy SpA and KME Brass Italy Srl;

- a first-level mortgage on the real estate and industrial equipment belonging to the Osnabrück plant of KME Germany Gmbh & CO. KG;
- a pledge of the inventory of the industrial companies, except for non-European subsidiaries;
- a lien on some factoring and insurance contracts;
- a pledge of a portion of the receivables of KME Ibertubos SA.

The *"Unicredit Mediocredito Centrale"* loan taken out 22 April 2008 as subsequently amended and supplemented, is to be used to finance the costs relative to the industrial investments, i.e. purchases of foreign entities. The granting (for a total of Euro 103 million) of the loan in tranches was completed in 2010; expiry is set at eight years from the date of the actual usage. The loan agreement provides for compliance with the covenants, to be verified at the end of each half year, which are also in line with those of the banking pool and which were complied with in full as at 31 December 2013.

The following exist in relation to the "copper" sector:

- a non-recourse factoring agreement that KME AG, together with its subsidiaries, has in course with GE Capital, signed on 30 September 2006 and subsequent amendments and integrations;
- factoring agreements that the subsidiaries KME Italy Spa, KME Brass Italy Srl, KME France SA, and KME Brass France SAS signed on 26 April 2011 with Mediofactoring SpA and subsequent amendments and integrations.

The agreement with GE Capital which consist of a credit line of a maximum amount of Euro 600 million to be used for factoring without recourse expires in June 2014 and provides for covenants in line with those provided for the banking syndicate.

The Mediofactoring agreement, concluded at the end of April 2011, provides for a credit line of a maximum amount of Euro 250 million to be used for factoring. This agreement, which expires in June 2014, provides for covenants in line with those of the banking syndicate.

On the date of these financial statements, the aforementioned transactions without recourse amounted to Euro 255.0 million (Euro 348.6 million at the end of the previous year).

Indeed, for these lines at the end of 2013, the Group began negotiations for renewal to 2 July 2016, of the respective expiring contracts. With regard to its contract, GE Capital has already communicated formal approval for renewal, while formal approval has not yet been obtained for Mediafactoring, though this is expected by the middle of May 2014

The real estate loans are the following:

(thousands of Euro)	*Quota a Breve*	*Quota a Lungo*	*Total*
Rede Immobiliare loan	3,500	-	3,500
Tecno Servizi loan	600	5,591	6,191
I2 Real Estate - Intesa SanPaolo loan	243	1,505	1,748
I2 Real Estate (former Nuova Parva) loan	112	1,054	1,166
Malpaso loan	-	12,023	12,023
Real estate loans	**4,455**	**20,173**	**24,628**

- the *"Rede Immobiliare Loan"* (Cassa Risparmio Parma e Piacenza) of Euro 3,500 thousand expiring insofar for Euro 500 thousand in March 2014 and the remaining Euro 3,000 thousand in September 2014. The credit line granted is opened on a current account with a mortgage on the property in Borgo Panigale (BO) at an interest rate of 2.50% over the 3-month Euribor (Euro Interbank Offered Rate) average of the previous month at the start of each quarter, recorded on 1 January, 1 April, 1 July, and 1 October of each year or the first subsequent working day. No financial covenants are envisaged.
- the "*Tecno Servizi loan*" (Mediocredito Lombardo) which expires on 31 December 2015 and is worth Euro 5,591 thousand in the medium term and Euro 600 thousand in the short term. Quarterly payments are envisaged of Euro 150,000 falling on 31 March, 30 June, 30

September and 31 December each year with payment of the residual amount at 31 December 2015. The loan is guaranteed by a mortgage on the property in Varedo (MB). Interest is calculated on the basis of the 3-month Euribor, recorded on the second working day prior to the expiry of the previous period of interest plus a spread of 2.20%. No financial covenants are envisaged.

- the "*I2 Real Estate loan*" (Intesa SanPaolo) of Euro 1,748 thousand which expires on 31 December 2021. The short-term amount is Euro 243 thousand. Half-yearly instalments are envisaged of Euro 139 thousand including interest. The loan is guaranteed by a mortgage on the property in Ivrea (San Bernardo industrial zone). Interest is calculated on the basis of 6-month Euribor plus a spread of 0.9%. No financial covenants are envisaged;
- the "*I2 Real Estate loan*" (former Nuova Parva) which was taken over on the transfer of the property in Padua, on which there is a mortgage to guarantee the loan itself. The current amount is Euro 1,166 thousand expiring on 30 June 2024. Interest is calculated on the basis of 6-month Euribor plus a spread of 1.25%. No financial covenants are envisaged.
- The "*Malpaso credit line*" (GE Capital): the loan is equal to Euro 12,023 thousand, of which a senior share of Euro 8,272 thousand plus interest and a junior share of Euro 3,000 thousand. The duration is established until 2015 and re-payments are not envisaged until the date of expiry. Interest is calculated solely on the senior share on the basis of 6-month Euribor plus a spread of 2.5%. To guarantee the loan a lien was granted on Malpaso's investment in Rede Immobiliare. No financial covenants are envisaged.

"Payables due to lease companies" regard the posting, pursuant to IAS 17, of the finance lease agreement for the Firenze Novoli's property and of a plant at the Fornaci di Barga factory.

Intek Group SFP and Intek Group Bonds relates to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue of SFP). The Intek Group bonds, with a nominal amount of Euro 0.50, issued and outstanding, amount to 22,655,247, while the Intek Group equity instruments with a nominal amount of Euro 0.42 which have been issued and are outstanding are 115,863,263. Both categories of securities have a duration of five years 2012 to 2017 and have a fixed rate of 8%. The initial recording of the two categories of securities took place at their fair value determined on the basis of their price. In this regard the price considered was that on the date of the latest issue of the securities, which was Euro 95.27 for the SFP and Euro 93.16 for the bonds. The price recorded on this date was considered more representative than the previous issues which were influenced by the performance of KME Group and Intek shares given the possibility of arbitrage between the two debt and equity instruments and the limited disclosure for the two debt securities.

The Non-current liabilities expiring later than five years total Euro 2.6 million.

4.16. Other non-current liabilities

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Payables due to employees	11,007	16,323	(5,316)
Other payables	1,132	1,205	(73)
Other non-current liabilities	**12,139**	**17,528**	**(5,389)**

"Payables due to employees" mainly regard payables due to employees of the German subsidiaries.

"Other payables" relate to the special situations business as part of the taking over of court approved agreement with creditors.

4.17. *Provisions for risks and charges*

A summary of the movements relating to the provisions for risks and charges is as follows:

(thousands of Euro)	*31 Dec. 2012*			*Translation differences*	*Increases*	*Releases/ uses*	*31 Dec. 2013*		
	Non-current	*Current*	*Total*				*Non-current*	*Current*	*Total*
Provision for restructuring	5,810	8,210	14,020	(96)	1,886	(11,371)	1,376	3,062	4,438
Provisions for risks from special situations	11,271	1,934	13,205	-	10	(2,252)	10,914	51	10,965
Other provisions for risks and charges	14,086	11,605	25,691	(2)	6,051	(8,821)	12,132	10,786	22,918
Total	**31,167**	**21,749**	**52,916**	**(98)**	**7,947**	**(22,444)**	**24,422**	**13,899**	**38,321**

The *"Provision for restructuring"* mainly relates to the cost of downsizing operations in France, Spain and Italy.

"Other provisions for risks and charges" include, but are not limited to, potential liabilities of Euro 5.0 million with respect to environmental risks, Euro 3.1 million for legal and tax risks, **to cover potential indemnities to French employees for Euro 4.7 million** and Euro 3.3 million for product warranties. This had increased by Euro 1.6 million in 2012 as a consequence of the Intek merger, mainly due to the dispute started by Deloro Stellite, arising from the commitments taken over in 1999 by Intek during disposal of Tecknecomp Industrie Riunite SpA in reference to a tax assessment relating to contested higher revenues for the periods guaranteed by Intek. It is noted that Deloro's appeal, made in agreement with the Intek Group, against the decision of the competent regional tax commission is currently pending before the Cassation Court.

With respect to main litigation brought against the Group's industrial companies, please be advised that:

- With regard to the damage claim filed in February 2010 by Toshiba Carrier UK Ltd and another 15 companies belonging to the same group before the English High Court of Justice - Chancery Division against KME Yorkshire Ltd, KME AG, KME France S.A.S. and KME Italy S.p.A., and another five producers of LWC pipes, in relation to violations of EU anti-trust rules (penalties were decided in 2003/2004, effective at the end of 2011, and were fully paid in February 2012), it should be noted that in 2011 the companies concerned in the KME Group had filed an appeal for removal from the proceedings and for lack of jurisdiction, which was rejected by the English High Court of Justice - Chancery Division. The aforesaid companies therefore filed an appeal with the Court of Appeal; this request was rejected and the KME Group's companies concerned submitted a request for impugnment to the Supreme Court of the United Kingdom, which in February 2013 had expressed a contrary opinion about the review of the case, with regards to the pleas pertinent to the claimed lack of jurisdiction, leaving the proceedings for the decision on the matter still unresolved. In February 2014, the interested KME Group companies reached an agreement with the counterparties for settlement of the dispute relative to the principal and interest.
- In October 2012, IMI plc and IMI Kynoch, on the one hand, and Boliden AB, on the other, notified a summons in the form of a contribution claim against companies in the KME Group and against other manufacturers of plumbing tubes which were involved in the decision of the European Commission of 3 September 2004. The proceedings are in progress in the High Court of Justice – Chancery Division. On the basis of the information available, the risk of an unfavourable outcome to the disputes is deemed to be improbable, and in any case it cannot be quantified, and therefore it did not allocate any provisions to cover the potential liabilities that could result from the proceeding. Nonetheless, it is not possible to rule out the possibility that the cases before the English High Court of Justice - Chancery Division may in the future lead to contingency costs which are greater than forecast and which may have a negative impact on the financial position of the Group.

"Provisions for risks from special situations" relate to the leasing and factoring businesses which was previously conducted by the Fime Group and to the subsidiary FEB – Ernesto Breda for liabilities which

arose during the administrative compulsory liquidation procedure. These provisions include an accrual of Euro 6.0 million for ISVEIMER's conditional receivables already recorded in the bankruptcy proceedings that involved Finanziaria Ernesto Breda in the administrative compulsory liquidation. With a summons served in March 2013 SGA – Società per la Gestione di Attività Spa ("SGA") which claims to be ISVEIMER's transferee for the above mentioned receivables, initiated a proceeding against FEB before the Court of Naples requesting the recognition of its rights as a creditor. Backed by the opinions supplied by its lawyers, FEB appeared before the Court in July 2013 and strongly contested SGA's claims, in the belief that it acted correctly in its treatment of the conditional receivable being challenged and of the related incidental expenses, for which a specific accounting entry had already been made arising from the procedure recorded during the creditors' agreement for a total amount of Euro 6 million. In any case, the Company has worked on negotiations in order to quickly conclude and avoid the court procedure which would be required for any ruling to be pronounced, and attempted to settle the dispute. The court proceedings nevertheless were initiated and the next hearing is for 7 October 2014, for the findings portion.

At the publication date of these consolidated financial statements, there were no other significant contingent liabilities.

4.18. Current loans and borrowings

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Bank loans and borrowings	273,785	55,562	218,223
Due to subsidiaries	4,986	816	4,170
Due to lease companies	1,005	918	87
Due to factoring companies	45,458	41,785	3,673
*Interest rate swap (IRS)*and currency forward contracts	1,301	2,547	(1,246)
LME and metal purchase/sale contracts	6,985	2,318	4,667
Due to others	17,700	15,967	1,733
Current loans and borrowings	**351,220**	**119,913**	**231,307**

"*Bank loans and borrowings*" also include amounts falling due within twelve months of the long-term loans as mentioned above. The "Due to factoring companies" item relates to the factoring of receivables with recourse at the year end.

"*LME and metal sales/purchase contracts*" are recognised at the fair value of contracts outstanding at the end of the reporting period.

"*Due to others*" include payables due to the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali (Euro 8,060 thousand) and the interest on the debt securities issued (Euro 1,972 thousand). An agreement was reached with Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali for payment of the debt through transfer of properties in 2014.

The net financial debt with the details of its main components pursuant to Consob Communication no. 6064293 and CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" is presented in the "Directors' Report" rather than in these notes.

4.19. Trade payables

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due to suppliers	481,083	503,354	(22,271)
Due to subsidiaries	348	339	9
Trade payables	**481,431**	**503,693**	**(22,262)**

The carrying amount of trade payables is believed to approximate their fair value.

4.20. *Other current liabilities*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Due to employees	31,641	39,932	(8,291)
Due to social security institutions	10,397	10,920	(523)
Tax liabilities	27,150	20,797	6,353
Accrued expenses and deferred income	4,475	2,754	1,721
Other liabilities	27,372	31,641	(4,269)
Other current liabilities	**101,035**	**106,044**	**(5,009)**

"Due to employees" include accrued amounts that were unpaid at the year end of the reporting period.

"*Tax liabilities*" primarily relate to value added tax payable and direct taxes.

"*Other liabilities*" include Euro 14.3 million in payables due to customers for advances and credit notes issued in the copper sector and Euro 1.3 million in payables due to former lease customers from Intek and relate to sums received by way of advance from customers and not offset with credit entries. Payables due to directors of the Parent amounting to Euro 2,764 thousand including a Euro 2,210 thousand liability for the Chairman's pay at the end of his mandate are also included.

4.21. *Deferred tax assets and liabilities*

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Deferred tax assets	67,951	65,591	2,360
Deferred tax liabilities	(101,012)	(117,034)	16,022
Deferred tax assets and liabilities	**(33,061)**	**(51,443)**	**18,382**

The Parent has not recognised deferred taxes on the temporary difference relating to the financial investment in the subsidiary KME AG in compliance with paragraph 39 of IAS 12.

At the reporting date of these consolidated financial statements, the Group did not record deferred tax assets on previous tax losses carried forward amounting to Euro 264 million. The detail, as at 31 December 2013, of the tax losses by which the deferred tax assets subdivided by company were “recognised” and “unrecognised” are shown below:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Intek Group SpA	-	2,307
Dalian Dashan Chrystallizer Co. Ltd.	202	-
Dalian Dashan Heavy Machinery Co. Ltd	152	-
Greenrecycle Srl	2,269	2,490
I2 Capital Partners SGR SpA	407	-
I2 Real Estate	1,618	-
KME France S.A.	4,336	-
KME Italy SpA	40,727	16,000
KME Spain SA	-	930
KME Verwaltungs- u. Dienstleistungs-GmbH	228	858
KME Yorkshire Ltd	5,209	11,138
Rede Immobiliare	1,618	1,359
(a) recognised tax losses carried forward	**56,766**	**35,082**
FEB - Ernesto Breda	59,233	59,317
Greenrecycle Srl	4,663	4,462
Immobiliare Agricola Limestre	1,019	912
KME AG	954	-
KME France S.A.	49,033	62,604
KME Germany Bet Gmbh	1,838	859
KME Italy SpA	71,927	51,059
KME Mould Mexico SA de C.V.	124	-
KME Mould Service Australia PTY Ltd	804	865
KME Recycle S.r.l.	1,787	1,688
KME Spain SA	63,708	62,988
KME Yorkshire Ltd	8,565	-
(b) unrecognised tax losses carried forward	**263,655**	**244,754**
Tax losses carried forward (a) + (b)	**320,421**	**279,836**

Deferred tax assets and liabilities by assets and liability item are shown below:

(thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2013	*31 Dec. 2012*	*31 Dec. 2013*	*31 Dec. 2012*
Property, plant and equipment	6,533	296	(47,833)	(51,298)
Intangible assets	101	39	-	(156)
Investment property	86	1,003	(1,390)	(1,119)
Other non-current assets	-	-	-	(290)
Inventories	189	1,010	(46,606)	(57,202)
Trade receivables	7,024	8,658	(1,789)	(115)
Other current receivables and assets	51	704	-	(2)
Current financial assets	406	432	(2,660)	(4,437)
Employee benefits	29,753	32,778	(136)	(624)
Non-current financial liabilities	857	934	-	-
Other non-current liabilities	1,986	4,163	(113)	(642)
Provisions for risks and charges	1,320	3,573	-	-
Current financial liabilities	989	819	(263)	(248)
Trade payables	983	77	-	-
Other current liabilities	1,542	1,822	(222)	(901)
Deferred tax assets on equity items	154	220	-	-
Deferred tax assets on tax losses carried forward	15,977	9,063	-	-
Total	**67,951**	**65,591**	**(101,012)**	**(117,034)**

Deferred tax assets recognised in equity primarily refer to costs associated with the share capital increase and the purchase of treasury shares incurred by the Parent.

4.22. Transactions with related parties

During the period, the Group traded with unconsolidated related parties. The related amounts were insignificant, as shown in the consolidated financial statements.

All such transactions, however, were at arm’s length.

The details of the assets and liabilities and of the costs and revenues with related parties are as follows:

(thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Current financial assets*	*Financial payables and liabilities*	*Suppliers*	*Other current liabilities*
Adv Mould India Lmt	-	150	-	-	-	-
Breda Energia SpA in administrative compulsory liquidation	-	30	-	(4,100)	-	-
Bredafin innovazione SpA in administrative compulsory liquidation	-	30	-	(101)	-	-
Cobra AT	-	-	1,530	-	-	-
Culti Srl	-	38	3,406	-	(2)	-
Europa Metalli Trèfimétaux UK Ltd	-	-	-	(480)	-	-
ErgyCapital SpA	-	360	2,872	-	-	-
Evidal Schmoele mbH	-	70	-	-	-	-
FEB Investimenti Srl	-	6	25	-	-	-
Irish Metal Industries Ltd	-	20	-	-	-	-
KME - Hungaria Szinesfem Kft.	-	-	10	-	-	-
KME Metals (Shanghai) Trading Ltd	-	127	-	-	-	-
KME (Suisse) SA	-	-	-	-	(54)	-
KME America Inc.	-	72	-	(254)	(220)	-
KME America Marine Tube	-	170	-	-	-	-
KME Asia Pte Ltd	-	19	-	-	-	-
KME Czech Republic	-	1	-	-	(8)	-
KME India Private Ltd.	-	989	-	-	(7)	-
KME Kalip Servis Sanayi	-	-	784	-	-	-
KME Marine Serv America LLC	-	-	-	-	(7)	-
KME Polska Sp. Zo.o.	-	-	-	-	(23)	-
KME Solar Italy Srl	-	236	475	-	-	-
Progetto Ryan 2 Srl in liquidation	-	100	-	-	-	-
Metalcenter Danmark AS Div. generic	-	1,595	-	-	-	-
New Cocot Srl in liquidation	175	-	-	-	-	-
N.V. KME Benelux SA	-	-	-	-	(27)	-
P.H.M. Pehamet Sp.Zo.o	-	2,182	644	-	-	-
Quattroduedue SpA	-	18	1,169	-	-	(65)
Società Agr. San Vito Biogas Srl	-	147	-	-	-	-
Special Steel SE Asia Singapore	-	46	-	-	-	-
Ste Haillane de Participations SA	-	-	-	(17)	-	-
XT Limited	-	-	-	(34)	-	-
Directors and Statutory Auditors	-	-	-	-	-	(2,813)
	175	**6,406**	**10,915**	**(4,986)**	**(348)**	**(2,878)**

(thousands of Euro)	*Revenues from sales and services*	*Other operating revenues*	*Purchases and changes in raw materials*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia SpA in administrative compulsory liquidation	-	25	-	-	-	(68)
Bredafin innovazione SpA in administrative compulsory liquidation	-	25	-	-	-	(1)
Cobra A.T. SpA	-	-	-	-	30	-
Culti Srl	-	-	-	-	87	-
Ergy Capital SpA	18	-	-	-	240	-
FEB Investimenti Srl	-	2	-	-	-	-
KME - Hungaria Szinesfem Kft.	-	-	-	(27)	-	-
KME (Suisse) SA	-	-	-	(479)	-	-
KME America Holding	-	-	-	(3)	-	-
KME America Inc.	-	45	(5)	(1,118)	-	(9)
KME America Marine Tube	53	-	-	-	-	-
KME Chile Limitada	-	-	(80)	(4)	-	-
KME Czech Republic	-	-	-	(27)	-	-
KME India Private Ltd.	955	-	-	(48)	-	-
KME Kalip Servis Sanayi	-	-	(17)	-	9	-
KME Marine Serv America LLC	-	-	-	(120)	-	-
KME Polska Sp. Zo.o.	-	-	-	(459)	-	-
KME Solar Italy Srl	31	-	-	-	3	-
Metalcenter Danmark AS	9,723	12	-	-	75	-
N.V. KME Benelux SA	-	-	-	(625)	-	-
P.H.M. Pehamet Sp.Zo.o	4,077	7	-	-	38	-
Quattroduedue SpA	-	15	-	-	71	(67)
Società Agr. San Vito Biogas Srl	-	-	-	-	77	-
Shareholdings' adjustments	-	-	-	-	254	(4,204)
	14,857	**131**	**(102)**	**(2,910)**	**884**	**(4,349)**

Personnel expense indicated as due to related parties in the Statement of other comprehensive income only refer to the stocks options.

The "*Other operating costs*" mostly refer to commissions on sales.

5. Income Statement of comprehensive income

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any “atypical and/or unusual transactions” 2013.

5.1. Revenue from sales and services

An analysis of revenue by geographical segment is shown below:

(millions of Euro)	*2013*	*2012*	*Change*	*Change%*
Germany	*540*	*610*	*(70)*	*-11.48%*
Italy	*391*	*402*	*(11)*	*-2.74%*
France	*237*	*294*	*(57)*	*-19.39%*
United Kingdom	*187*	*191*	*(4)*	*-2.09%*
Spain	*86*	*82*	*4*	*4.88%*
Other European countries	*569*	*653*	*(84)*	*-12.86%*
Total Europe	2,010	2,232	(222)	-9.95%
Rest of the world	325	339	(14)	-4.13%
Total revenue	**2,335**	**2,571**	**(236)**	**-9.18%**

Revenue, net of raw material costs, as shown in the Directors’ Report decreased by Euro 40.6 million from Euro 709.8 million in 2012 to Euro 669.2 million in 2013. This decrease was caused by the reduced operations (partially mitigated by the sales mix), as well as the decreased availability of scrap on the market, which resulted in lower profit.

A part of the revenues (Euro 0.5 million) has been reported under “Non-recurring income/ (expense)” in the “Reclassified Consolidated Income Statement “shown in the Directors’ Report.

No single customer accounted for more than 10% of Group revenue (IFRS 8, paragraph 34).

5.2. Purchases and changes in raw materials

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Purchase of raw materials and consumables	(1,718,166)	(1,894,182)	176,016	-9.29%
(Gains)/losses on LME trading	26,495	(7,596)	34,091	-448.80%
Fair value on LME and metal purchase/sale contracts	(12,932)	11,707	(24,639)	-210.46%
Change in raw materials and consumables	(43,083)	(31,788)	(11,295)	35.53%
Purchases and changes in raw materials	**(1,747,686)**	**(1,921,859)**	**174,173**	**-9.06%**

5.3. Other operating income

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Insurance claim	1,450	691	759	109.84%
Lease income	2,019	1,346	673	50.00%
Gains on sale of non-current assets	3,219	359	2,860	796.66%
Government grants	1,779	1,167	612	52.44%
Fund management fees	1,331	-	1,331	n/a
Cafeteria	599	614	(15)	-2.44%
Other	15,750	15,413	337	2.19%
Other operating revenues	**26,147**	**19,590**	**6,557**	**33.47%**

Part of the other operating income, equal to Euro 1.1 million, which includes the above mentioned capital gain, was presented as “non-recurring income/(expenses and revenues)” in the “Reclassified income statement” presented in the "Directors’ Report”.

The *“Fund management fees”* regard the fees and charges collected by I2 Capital Partners SGR for the management of the I2 Capital Partners Fund.

The increase of the lease income is associated with the entry of real estate companies belonging to Intek in the scope of consolidation.

5.4. Personnel expense

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Wages and salaries	(224,431)	(237,997)	13,566	-5.70%
Social security charges	(57,344)	(61,011)	3,667	-6.01%
Cost of stock option	(342)	(458)	116	-25.33%
Other personnel expense	(17,007)	(31,946)	14,939	-46.76%
Personnel expense	**(299,124)**	**(331,412)**	**32,288**	**-9.74%**

The reduction of the personnel expense is related to the reduction in the average number of employees and to the other cost-containment policies.

“Other personnel expense” includes accruals to “defined benefit pension plans” and “post-employment benefits” of Euro 11,807 thousand.

Euro 2.4 million of the above personnel expense relating to the cost of decreasing personnel and reducing hours worked (special temporary government-sponsored lay-off scheme, solidarity agreements and similar arrangements) have been reported under “Non-recurring income/(expense)” in the “Reclassified Income Statement" shown in the Directors’ Report.

Average number of employees:

	2013	*2012*	*Change*	*Change%*
Executives and clerical	1,609	1,739	(130)	-7.48%
	27.50%	28.46%		
Blue collars and special categories	4,242	4,372	(130)	-2.97%
	72.50%	71.54%		
Total employees (average)	**5,851**	**6,111**	**(260)**	**-4.25%**
	100.00%	100.00%		

During 2010, the "KME Group SpA 2010–2015 Stock Option Plan" (the "Plan") was activated, in place of the previous one which was implemented in 2006 and revoked in 2009 on account of the new structure/organization of the Group.

In its meeting on 7 October 2010, the Board of Directors identified the Plan beneficiaries and determined the number of options assigned to each of them, for a total of 25,500,000 options (the maximum number of options authorised by the Shareholders' Meeting is 31,000,000).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of KME Group SpA ordinary shares at the unit price of Euro 0.295:

- 1/3 starting from 10 October 2011;
- 1/3 starting from 8 October 2012;
- 1/3 starting from 8 October 2013.

The final exercise date is 31 December 2015.

The fair value of stock options (Euro 0.073/option) has been determined by an independent actuary on the grant date by application of the Black & Scholes model which includes variables regarding the conditions of exercise, current share price, expected volatility (estimated through projection of actual volatility for the past year), the risk free interest rate for the Euro zone, expected dividend yield, and the probability that option holders will meet the requirements to exercise their rights at the end of the vesting period.

In December 2012, again in execution of the Plan, a further 3,500,000 stock options were granted, at a subscription price of Euro 0.326 per share, one third of which can be subscribed as from the first year after the grant date; a further third as from the second year after the grant date, and the final third as from the third year after the grant date. The final exercise date is 31 December 2015. The fair value of the stock options was determined, in the same way described above, at Euro 0.060.

The evolution of the stock option plan at 31 December 2013 is as follows:

No. of options	*31 Dec. 2013*	*31 Dec. 2012*
Options existing at 1 January	**29,000,000**	**25,500,000**
New options awarded	-	3,500,000
Existing options at year end	**29,000,000**	**29,000,000**
of which exercisable	*26,666,667*	*17,000,000*

5.5. Amortisation, depreciation and impairment loss

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Depreciation	(43,094)	(45,468)	2,374	-5.22%
Amortisation	(1,632)	(1,056)	(576)	54.55%
Reversals of prior year impairment losses	2,288	2,160	128	5.93%
Reversal of impairment losses/(impairment losses) on investment property	(2,110)	-	(2,110)	n/a
Impairment losses	(75)	(7,308)	7,233	-98.97%
Amortisation, depreciation and impairment loss	**(44,623)**	**(51,672)**	**7,049**	**-13.64%**

A part of Depreciation and of Impairment losses (Euro 0.8 million) has been reported under "Non-recurring income/ (expense)" in the "Reclassified Income Statement" shown in the Directors' Report.

5.6. Other operating costs

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Energy	(67,488)	(76,313)	8,825	-11.56%
Maintenance and repairs	(21,967)	(28,923)	6,956	-24.05%
Insurance premiums	(13,279)	(13,892)	613	-4.41%
Lease payments and operating leases	(10,033)	(11,589)	1,556	-13.43%
Outsourced production	(27,990)	(28,709)	719	-2.50%
Sales logistics and transport	(51,390)	(55,277)	3,887	-7.03%
Commissions	(14,106)	(15,175)	1,069	-7.04%
Factoring funding fees	(3,081)	(4,431)	1,350	-30.47%
Other	(70,626)	(92,120)	21,494	-23.33%
Other operating costs	**(279,960)**	**(326,429)**	**46,469**	**-14.24%**

"Factoring funding fees" are the fees on the factoring without recourse of trade receivables.

The item "Other" includes:

- release of provisions for risks and charges, net of accruals for the period, amounting to Euro 3,073 thousand;
- banking services amounting to Euro 4,201 thousand;
- capital loss on divestments amounting to Euro 1,535 thousand;
- accruals to the allowance for impairment for debt amounting to Euro 1,921 thousand;
- advertising and other business expenses of Euro 3,887 thousand;
- legal, consultancy and administrative costs plus fees for company bodies and independent auditors of Euro 14,415 thousand;
- waste disposal amounting to Euro 4,363 thousand;
- travel and company cafeteria amounting to Euro 6,404 thousand;
- phone and telecommunication costs amounting to Euro 1,683 thousand;
- external personnel amounting to Euro 4,552 thousand;
- computer consulting amounting to Euro 3,728 thousand;
- sundry taxes amounting to Euro 8,048 thousand.

5.7. Financial income and expense

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Interest income	*817*	*1,087*	*(270)*	*-24.84%*
Exchange rate gains	*739*	*8,512*	*(7,773)*	*-91.32%*
Dividends	*2*	*271*	*(269)*	*-99.26%*
Other financial income	*4,983*	*737*	*4,246*	*576.12%*
Financial income	6,541	10,607	(4,066)	-38.33%
Interest expense	*(8,843)*	*(8,977)*	*134*	*-1.49%*
Exchange rate losses	*(1,255)*	*(14,792)*	*13,537*	*-91.52%*
Other financial expense	*(16,860)*	*(14,372)*	*(2,488)*	*17.31%*
Financial expense	(26,958)	(38,141)	11,183	-29.32%
Net financial expense	**(20,417)**	**(27,534)**	**7,117**	**-25.85%**

The charges relative to the 2012-2017 Intek Group AFP and to the 2012-2017 Intek Group Bonds for an overall sum of Euro 5,328 thousand including amortisation due to issue discounts are included under the item "Interest expense".

5.8. Share of loss of equity-accounted investees

The loss of Euro 2,165 thousand regards the pro-quota losses of the period for the following investees:

- ErgyCapital SpA amounting to Euro 1,193 thousand;
- Cobra A.T. SpA amounting to Euro 972 thousand;

5.9. Current and deferred taxes

(thousands of Euro)	*2013*	*2012*	*Change*	*Change%*
Current taxes	(14,438)	(7,707)	(6,731)	87.34%
Deferred taxes	20,449	6,696	13,753	205.39%
Current and deferred taxes	**6,011**	**(1,011)**	**7,022**	**-694.56%**

Since 2007, Intek Group SpA and most of its Italian subsidiaries elected to apply the “national tax consolidation arrangement”, so that IRES (Italian corporate income tax) is computed on a tax base equal to the algebraic sum of the taxable profit/loss of each company participating in the arrangement. Financial relationships, responsibilities and reciprocal obligations are set out in the agreement and terms and conditions regarding the national tax consolidation arrangement by which the Parent and/or subsidiaries with tax losses receive a payment equal to the relevant tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(thousands of Euro)	*2013*	*2012*
Profit (loss) before taxes	(32,549)	(77,158)
Theoretical tax charge *(tax rate used 31.4%)*	**10,220**	**24,228**
Reconciliation:		
Use of different tax rates:	(1,172)	(1,859)
Other items:		
- Non-deductible (expenses) and non-taxable income	(5,116)	(14,229)
- Tax losses – Deferred taxes not set aside	(379)	(4,962)
- Use of tax losses	3,252	84
- Impairment losses on investments and securities	(1,196)	(972)
- Current taxes for previous years	233	(1,007)
- Taxes on profits/losses of equity-accounted investees	595	(2,298)
- Other	(426)	4
Total taxes recognised in profit or loss	**6,011**	**(1,011)**

6. Other information:

6.1. Financial instruments by category

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*	*Change*
Financial assets recognised at fair value through profit or loss	36,644	45,490	(8,846)
Held-to-maturity investments	-	-	-
Loans and receivables	288,109	261,189	26,920
Available-for-sale financial assets	-	-	-
Financial liabilities recognised at fair value through profit or loss	(8,286)	(4,865)	(3,421)
Financial liabilities at amortised cost	(1,064,853)	(1,120,566)	55,713
Financial instruments by category			

6.2. Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items as at 31 December 2013:

(thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments	50,811	-	-	50,811
Other non-current assets	6,252	6,252	-	-
Non-current loan assets	16,201	3,770	12,431	-
Trade receivables	123,762	123,762	-	-
Other current receivables and assets	57,581	35,473	-	22,108
Current financial assets	101,270	77,057	24,213	-
Cash and cash equivalents	41,795	41,795	-	-
Total financial assets	**397,672**	**288,109**	**36,644**	**72,919**
Non-current loans and borrowings	(154,464)	(154,464)	-	-
Other non-current liabilities	(12,139)	(12,139)	-	-
Current loans and borrowings	(351,220)	(342,934)	(8,286)	-
Trade payables	(481,431)	(481,431)	-	-
Other current liabilities	(101,035)	(73,885)	-	(27,150)
Total financial liabilities	**(1,100,289)**	**(1,064,853)**	**(8,286)**	**(27,150)**

6.3. Notional amount of financial instruments and derivatives

The following table shows a summary of notional amount and expiry of derivative financial instruments outstanding at the year end:

(thousands of Euro)	*Expiry*			*Total*	*Total*
	within 1 year	*from 1 to 5 years*	*Over 5 years*	*31 Dec. 2013*	*31 Dec. 2012*
LME and metal purchase/sale contracts	568,390	-	-	568,390	704,420
Foreign exchange forward contracts	207,411	-	-	207,411	268,103
Cross-currency swaps	-	-	-	-	-
Interest rate swaps (IRS)	-	-	-	-	-
Notional amount	**775,801**	**-**	**-**	**775,801**	**972,523**

The net change of the fair value through profit or loss for LME transactions and metal purchase/sale contracts was negative by Euro 12.9 million (positive by Euro 11.7 million in 2012).

The notional amount of “LME commodity contracts and metal sales/purchase contracts” is the aggregate of sales and purchases.

6.4. Exposure to credit risk and impairment losses

The carrying amount of financial assets is the Group’s maximum exposure to credit risk.

The ageing of trade receivables from current transactions due from non-Group companies at the date of presentation of these consolidated financial statements was as follows:

(thousands of Euro)	*Gross carrying amount*	*Impairment losses at 31 December 2013*	*Net carrying amount*
Not yet due	86,577	(1,367)	85,210
Up to 60 days past due	13,844	(309)	13,535
61 to 120 days past due	3,465	(242)	3,223
121 days to 1 year past due	2,686	(980)	1,706
over 1 year past due	15,610	(11,266)	4,344
Trade receivables	**122,182**	**(14,164)**	**108,018**

Changes in the allowance for impairment during the year are shown below:

Balance at 31 December 2012	**14,794**
Translation differences	(25)
Impairment losses of the year	1,766
Uses	(1,497)
Releases	(874)
Balance at 31 December 2013	**14,164**

6.5. Currency risk

The following table shows the Group’s exposure to currency risk by notional amount for the relevant currency:

31 Dec. 2013	*USD*	*GBP*	*CHF*	*SEK*	*EUR*
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Trade receivables	9,619	(213)	-	486	(11)
Other current receivables and assets	4	-	-	-	-
Current financial assets	11,095	1,302	1,265	3,942	(58)
Cash and cash equivalents	3,604	604	529	5,767	381
Financial liabilities	301	19	20	-	-
Trade payables	70,969	901	30	4,018	130
Other current liabilities	71	76	1	8,578	-
Gross exposure in the statement of financial position	**(47,019)**	**697**	**1,743**	**(2,401)**	**182**
Projected sales	37,396	8,370	1,272	28,797	250
Projected purchases	23,180	142	280	1,482	398
Gross exposure	**(32,803)**	**8,925**	**2,735**	**24,914**	**34**
Currency forward contracts	(29,426)	11,163	2,505	50,476	(6,239)
Net exposure	**(3,377)**	**(2,238)**	**230**	**(25,562)**	**6,273**

The “EUR” column expresses the currency risk of foreign subsidiaries that did not have the Euro as their functional currency.

Currency risk exposure for the previous financial year:

31 Dec. 2012	*USD*	*GBP*	*CHF*	*SEK*	*EUR*
Trade receivables	10,984	1,030	(4)	406	7
Other current receivables and assets	29	-	1	-	-
Current financial assets	9,052	964	1,395	5,327	313
Cash and cash equivalents	3,013	2,522	704	18,419	74
Financial liabilities	707	337	72	-	381
Trade payables	185,581	262	32	2,970	48
Other current liabilities	-	41	8	9,032	-
Gross exposure in the statement of financial position	**(163,210)**	**3,876**	**1,984**	**12,150**	**(35)**
Projected sales	28,781	12,305	1,712	33,354	380
Projected purchases	26,074	178	279	-	776
Gross exposure	**(160,503)**	**16,003**	**3,417**	**45,504**	**(431)**
Currency forward contracts	(157,350)	14,603	3,629	54,799	(13,553)
Net exposure	**(3,153)**	**1,400**	**(212)**	**(9,295)**	**13,122**

6.6. Sensitivity analysis

A 10% appreciation (depreciation) of the Euro against the currencies in the above table would have caused an increase (decrease), at 31 December 2013, in equity and an improvement (deterioration) of the net results for the period of Euro 2.7 million. The analysis was made assuming that all other variables remained constant, in particular interest rates. The same analysis at 31 December 2012 would have increased (decreased) results and equity by Euro 1.4 million.

6.7. Interest rate risk

The Group’s interest rate structure of interest-bearing financial instruments at 31 December 2013 was as follows:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
Financial assets	1,615	-
Financial liabilities	(80,997)	(57,066)
Fixed rate instruments	**(79,382)**	**(57,066)**
Financial assets	80,365	19,543
Financial liabilities	(376,623)	(406,001)
Floanting rate instruments	**(296,258)**	**(386,458)**

6.8. Sensitivity analysis of the cash flows of floanting rate financial instruments

A 50 basis points (bps) increase (or decrease) of interest rate at the end of the reporting period for these consolidated financial statements would have produced a decrease (increase) in equity and results of approximately Euro 1.6 million (Euro 1.2 million in 2012). The analysis was carried out assuming that the other variables, in particular exchange rates, remained constant and was carried out using the same assumptions for 2012.

6.9. Sensitivity analysis of the fair value of fixed rate instruments and of LME contracts

The Group had no fixed rate financial assets or liabilities at fair value through profit or loss or any derivatives (interest rate swaps) designated as hedges. As a result, any changes in the interest rates at the year end would not have had an effect on the profit or loss.

The Group uses LME contracts (commodities forward contracts traded on the London Metal Exchange) to hedge against fluctuations in the raw materials prices, particularly copper. These instruments are measured at fair value through profit or loss. A Euro 100 per tonne increase in the price of copper at the year end would have resulted in a decrease in equity and a deterioration of results for the year of Euro 6.1 million. The same effect on financial statements figures as at 31 December 2012 would have had a negative impact of Euro 5.9 million.

6.10. Liquidity risk

Liquidity risk can arise from the inability to raise financing for operating activities as and when required. The inflows and outflows and the liquidity of Group companies are monitored and coordinated by Group Treasury. The flexibility of existing credit lines meant that the Group was able to solve problems relating to covering the temporary cash shortfalls caused by increased raw materials prices.

6.11. Fair value and carrying amount

Pursuant to IFRS 7 para. 25 we declare that the carrying amounts of the financial assets and liabilities recognised in these consolidated financial statements do not diverge from their fair value.

6.12. Fair value hierarchy

IFRS 7, para. 27A requires financial instruments recognised at fair value in the statement of financial position to be classified with reference to a hierarchy of levels, based on the significance of the inputs used to determine fair value.

The standard stipulates three levels:

Level 1 **-** listed prices on an active market for the asset or liability to be measured;

Level 2 **-** inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;

Level 3 **-** inputs not based on observable market data.

Financial instruments recognised at fair value in the statement of financial position (see reconciliation table), except for “financial assets held for trading” pertaining to Level 1, are all classified as Level 2 of the hierarchy, due to the fact that they all relate to either physical transactions with customers and suppliers, or forward contracts concluded at prices listed on the London Metal Exchange (LME) for the purposes of hedging commodity price risk.

There were no transfers between Levels 1 and 2.

The Group does not use financial instruments that would be classified as Level 3, except for the I2 Capital Partners fund.

6.13. Other financial obligations

Below is a summary showing the minimum irrevocable payment obligations under operating leases at the year end:

(thousands of Euro)	*31 Dec. 2013*	*31 Dec. 2012*
within 1 year	5,206	5,753
from 1 to 5 years	7,630	8,156
due after 5 years	319	99
Minimum irrevocable payments	**13,155**	**14,008**

Purchase commitments relating to property, plant and equipment at the year end amounted to Euro 5.7 million. These purchase commitments will expire within one year.

7. ***Segment reporting***

Pursuant to IFRS 8, we hereby present the information by sector so as to make it possible to assess the nature and the effects on the financial statements of the activities and the reference economic frameworks. At an operational level, the Intek Group has three sectors requiring disclosure, as detailed below:

- Copper products: a sector consisting of an industrial grouping which is a leader in the international global production of copper and copper-alloy semi-finished products;
- Finance: mainly includes the businesses from Intek and, therefore, private equity, special situations and real estate;
- Advanced Services: mainly includes the businesses linked to 1) integrated services for the management of the risks associated with the possession, ownership and use of vehicles, using IT and satellite technology 2) renewable energy.

(thousands of Euro)	*Copper*	*Finance*	*Advanced services*	*Holding*	*Group and miscella-neous*	*Total*
External revenues	2,335,057	-	-	67	-	2,335,124
Internal revenues	12	-	-	135	(147)	-
Total sector revenues	**2,335,069**	**-**	**-**	**202**	**(147)**	**2,335,124**
Other operating revenues - external	20,625	5,522	-	-	-	26,147
Other operating revenues - internal		-	-	-	-	-
Total other sector income	**20,625**	**5,522**	**-**	**-**	**-**	**26,147**
Sector profit (loss) before taxes	**(23,020)**	**(5,328)**	**(3,175)**	**(1,026)**	**-**	**(32,549)**
Total sector assets	**1,571,505**	**148,714**	**56,327**	**59,955**	**(88,029)**	**1,748,472**
Total sector liabilities	**1,330,282**	**57,104**	**10,634**	**107,228**	**(30,962)**	**1,474,286**

The segment activities include goodwill relative to the Copper sector of Euro 118,364 thousand and the Finance sector for Euro 7,437 thousand.

With regard to the impairment testing area, we hereby specify that the Cash Generating Units reflect the organisation of the Group at 31 December 2013 and is unchanged compared to 31 December 2012. Goodwill was allocated to the operating divisions as indicated above.

The information by geographic segments are shown in the comments referring to the individual items.

Annexes to the notes

Reconciliation of the loss of the Parent Intek Group SpA and the consolidated loss for the period ended 31 December 2013

(thousands of Euro)	*31 Dec. 2013*
Loss for the year of Intek Group S.p.A. separate financial statements	**(158)**
Loss for the year of consolidated companies (1)	(22,804)
Reversal of impairment losses on investments	(5,005)
Share of profit/(loss) of equity-accounted investees	(2,165)
Measurement at fair value of financial assets	2,139
Other consolidated items	1,073
Loss attributable to owners of the Parent	**(26,920)**
Loss of subsidiaries 01/01/2013-31/12/2013	
(1) KME AG consolidated loss	(17,207)
KME Partecipazioni loss	(3,149)
Losses of other investments	(2,448)
	(22,804)

Reconciliation between the equity of Intek Group SpA and the Consolidated equity at 31 December 2013

(thousands of Euros)	
Parent's Equity including loss for the year	**436,133**
Consolidation reserves	(141,808)
Difference between consolidated loss and Parent's loss for the year	(26,762)
Group Equity including loss for the year attributable to owners of the Parent	**267,563**
Breakdown of consolidation reserves:	
1) Netting of investments and cosolidatio entries	(206,175)
2) Goodwill arising on consolidation	119,800
3) Total comprehensive income	(55,433)
	(141,808)

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED.

1. Having regard to the requirements of article 154 *bis,* paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of Intek Group SpA, hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting policies in the preparation of the 2013 consolidated financial statements.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the consolidated financial statements:
      a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) reflect the balances recorded in the companies' books and accounting records;
      c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer and all the consolidated companies;

   3.2 the Directors' Report contains a reliable analysis of the operating performance and results and the situation of the issuer and its consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 28 April 2014

The Chairman	The Manager in charge of Financial Reporting
Vincenzo Manes	*Giuseppe Mazza*
(signed on the original)	*(signed on the original)*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the consolidated financial statements at 31 December 2013

(Translation from the Italian original which remains the definitive version)

The Board of Statutory Auditors hereby presents its brief report on the consolidated financial statements at 31 December 2013, pursuant to its general obligation to oversee compliance with the law and the articles of association and the obligation, which has been constantly observed, to report to the Shareholders on issues and documents submitted to the Shareholders' Meeting by Directors. These issues and documents are examined by the Board of Statutory Auditors.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements at 31/12/2013.

As it is known, for the presentation of its operating performance and equity results at a consolidated as well as at a separate operating company level, the company uses the economic and financial information taken from the Group's management systems and based on accounting principles which are different from the IFRS, mainly in terms of measurement and presentation.

As usual, the Board of Directors has presented the results for 2013 in accordarce with IFRS as well as with a focus on operations.

The main economic data in the consolidated financial statements can be summarised as follows:

Consolidated loss €/million 26.5

EBITDA (gross operating profit) IFRS €/million 34.6

Operating EBITDA (gross operating profit) €/million 61.6

Financial expense €/million 20.4

IFRS depreciation/amortisation €/million 44.6

Operating depreciation/amortisation €/million 45.4

The main statement of financialposition fiugres in the consolidated financial statements can be summarised as follows:

- Current assets €/million 858
- Non-current assets €/million 891
- Equity €/million 274
- Non-current liabilities €/million 527
- Current liabilities €/million 948

As shown in the Directors' Report, through its subsidiaries, the company essentially acts as an operating holding company in the following three sectors:

- Copper (KME AG);
- Advanced Services (Cobra AT spa – Ergy Capital spa);
- Financial and real estate assets.

The performances of the individual investees as well as the various sectors have been presented in the Directors' Report.

In particular, the directors provided specific information regarding the negotiations that took place in relation to the subsidiary Cobra AT S.p.A., which was disclosed in a press release.

The Directors' report contains exhaustive information on the two main transactions that refer to investees, i.e., the agreement for the sale of the English sanitary tube operations and the agreement for the establishment of a joint venture with a Chinese partner for the production of laminates for connectors.

The Board of Directors, in compliance with Legislative Decree 127/1991, has presented consolidated financial statements at 31 December 2013, which is the end of the reporting period of the parent and its subsidiaries.

The consolidated financial statements have been prepared in compliance with the IFRS recognition and measurement criteria.
The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, provided the Directors and Statutory Auditors with a statement, in part for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2013, and their compliance with IFRS.
All subsidiaries, being those companies over which the Group exercises control of financial and operational policies and generally exercises more than 50% of the voting rights in corporate bodies, have been consolidated.
Associates are all those companies over which the Group exercises significant influence but not control.
Information on the scope of consolidation is contained in the Notes which, in brief, explain that subsidiaries are consolidated on a line-by-line basis and associates (companies over which Intek Group S.p.A. exercises significant influence but not control) are consolidated using the equity method. Investments in joint ventures are consolidated using the same method.
Companies over which significant influence is not exercised, which are small in size and with operations significantly different from those of the Group's main companies, have not been consolidated and the effect of their exclusion is not significant, as expressly stated in the text.
The net consolidated result for the year is negative by a total of Euro 26.5 million, which represent a net improvement over 2012, due to the performance of the Copper sector.
Exhaustive information has been provided in the Consolidated financial statements (accounting policies, notes and annexes).

As already pointed out, it is noteworthy that the Company continues to disclose the differences arising on the measurement of inventories in accordance with IFRS, compared to the Company's management accounts combined with a reconciliation of the results for the year.

In particular, in 2013 the IFRS consolidated loss was influenced by a negative adjustment resulting from IFRS measurement criteria of approximately Euro 16 million, gross of taxes.

The difference arose as a result of the effect of extremely volatile prices on the measurement of inventories and related financial instruments under IFRS, which has introduced a variable that can distort results.

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the financial statements.

In regard to the financial position of the group, the Board of Directors has noted that the Euro 600 million factoring line of credit with GE which expires in June has been renegotiated and will now expire in 2016.

The remaining lines of credit of Euro 565 million which expire in January 2015 are currently at an advanced stage of negotiation, as the essential terms for their extension to 2016 have already been agreed.

Information on the most important events, related party and/or intercompany transactions in 2013, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the 2013 separate financial statements.

Regarding the relations with the audit company, at the consolidated level, in addition to the audit mandate for the parent, further mandates were granted at the group level totaling Euro 1,239 thousand, for auditing work and other attestation services.

The independent auditor and/or individuals related to the latter on an ongoing basis received additional mandates amounting to Euro € 69 thousand.

The Independent Auditors KPMG S.p.A., with which the Board of Statutory Auditors had the necessary contact, issued a clean opinion on the financial statements and disclosure systems for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position at 31 December 2013 and for the year then ended.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for informational purposes and do not require approval.

Milan, 30 April 2014

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(Marco Lombardi)

(signed on the original)

The standing auditor

(Francesca Marchetti)

(signed on the original)

The standing auditor

(Dott. Alberto Villani)

(signed on the original)

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Intek Group S.p.A.

1 We have audited the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2013, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 9 April 2013. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2013.

3 In our opinion, the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intek Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The directors of Intek Group S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2013.

Milan, 30 April 2014

KPMG S.p.A.

(signed on the original)

Piero Bianco
Director of Audit