INTEK GROUP

2012 Directors' report

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

Financial Statements of the Company and the Group at 31 December 2012

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27 March 2013

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

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Solidarity

Dynamo Camp grew again in 2012 playing host to even more children and families and expanding its programs and the range of medical conditions which it accepts.

The stories and testimony of Dynamo Camp guests tell of the desire to achieve their own goals and are witness to how it is possible to live life to the full even with a chronic disease and when faced with a serious illness. The testimony shows that the Dynamo Camp project generates not only concrete results in terms of numbers but also intangible results, such as the ability to distinguish between hope and desire, in other words the boundary between what remains a simple wish and what makes people capable of positively and proactively face up to living with an illness.

Dynamo Camp is now in its sixth year and is:

- 1,350 people welcomed completely free of charge for holiday and leisure breaks under recreational therapy programs, of whom 1,064 are children
- 17 programs
- 54 illnesses accepted, mainly relating to cancer and haematology problems, neurological pathologies, rare syndromes, spina bifida, diabetes, thanks to cooperation with 67 hospitals and 55 associations dealing with specific illnesses, and the work at Dynamo of 24 doctors and 34 nurses
- a staff of 45 employees, 30 external collaborators, 61 seasonal staff
- 606 volunteers
- 1,376 donors, including private individuals, companies, Foundations, Associations and public bodies
- 3 million euro collected, with funding that is 40% supported by individuals, 38% by companies, 15% by Foundations and 7% by public bodies, specifically the Region of Tuscany and the Province of Pistoia.

We may also note:

- consolidation of the international programs, with children from Germany (for the third year running, 63 children in 2012), Iraq (for the third year running, 27 children in 2012), Jordan (for the third year running, 40 children in 2012), Arab Emirates (for the second year running, 18 children in 2012), and Byelorussia (12 children, for the first time in 2012)

- introduction of new programs and in particular: a session dedicated solely to children affected by diabetes, including development objectives in terms of autonomy of treatment; a program solely for the brothers and sisters of sick children, consolidating Dynamo Camp as the reference point for children but also for all the family, including parents and siblings
- more children received with spina bifida (48 in 2012, compared to 29 in 2011)

and among the activities:

- consolidation of the project for safe and secure accommodation on the camp site in the heart of Oasi Dynamo
- activities of Dynamo Studios with the realisation of TV and radio programs, newspapers and shows
- the establishment of Generazione Dynamo, a group of youngsters who are guests at the Camp and who put on live music, dance and entertainment show during the Open Day
- a new activity with dogs born and raised at Dynamo Camp and which play with children affected by neurological and other illnesses

Dynamo Camp is also:

- Radio Dynamo (developed in collaboration with Radio Dee Jay and Telecom Italia) which organises the Dynamo Camp outreach program and in 2012 involved around 1,000 children in the realisation of short radio programs, including children admitted to the following hospitals: Civico in Palermo, Ospedale Infantile Regina Margherita in Turin, Policlinico G. B. Rossi in Verona, Ospedale Brotzu in Cagliari, and, in Milan, Ospedale dei Bambini Vittore Buzzi, Clinica De Marchi and, since October, Humanitas e Gaetano Pini.
- Dynamo Art Factory, with artists who donated their time during the year to work on creative projects with the children, in particular J&PEG, Giulio Cassanelli, Roberto Codazabetta, Matteo Negri, Paolo Troilo, Ozmo, Pietro D'Angelo, Giuseppe Veneziano, and in October Riccardo Gusmaroli
- Dynamo Academy (a social enterprise created to support Dynamo Camp through the use of space for seminars and institutional and corporate meetings, when children are not present) with 33 programs and 1,400 participants.

In 2012 the President of the Republic offered a plaque as his token of recognition, with the wording "To the Dynamo Camp Open Day, to all its guests and the operators of the Recreational Therapy Centre". Among other acknowledgements, the Carabinieri of Pistoia, on the 198th anniversary of the foundation of the Carabinieri, donated an Italian flag to Dynamo Camp, with the following motivation: 'Dynamo Camp, a place where on entering you feel proud to be Italian'

INTEK Group S.p.A.

Company Bodies

Board of Directors

Chairman	Vincenzo Manes[B]
Deputy Chairwoman	Diva Moriani[B]
General Manager	Riccardo Garrè[B]
General Manager	Italo Romano[B]
	Mario d'Urso[A,C,D]
	Marcello Gallo
	Giuseppe Lignana[A,C,D]
Board Secretary	Gian Carlo Losi
	Alberto Pirelli[A,C,D]

A. Independent director
B. Executive director
C. Member of the Remuneration Committee (Alberto Pirelli, Chairman)
D. Member of the Internal Control and Risk Committee (Mario d'Urso, Chairman)

Board of Statutory Auditors (**)

Chairman	Marco Lombardi
Statutory Auditors	Francesca Marchetti
	Lorenzo Boni

Manager in charge of financial reporting	Marco Miniati
Independent auditors	KPMG S.p.A.
Common Representative of Saving Shareholders	Pietro Greco

(*) On 18 August 2012 Salvatore Orlando, the Company Chairman, died unexpectedly. On 14 September 2012 the Board of Directors appointed Vincenzo Manes as the Company Chairman.
(**) On 30 July 2012, the Chairman of the Board of Statutory Auditors, Riccardo Perotta, and the Alternate Auditor, Luca Bertoli, resigned. The Alternate Auditor Lorenzo Boni took over as Standing Auditor, and the Standing Auditor Marco Lombardi became the Chairman of the Board of Statutory Auditors as the most senior Auditor.

Chairman's Letter

Dear Shareholders,

At the end of November 2012 the complex procedure concluded which led to the merger of Intek into the Kme Group and the consequent integration of the activities which were previously carried out by the two "old" holding companies. The reorganisation project, which started in autumn 2011, will start to impact as from 2013.

This work produced one immediate result, which will be evident also in the current year, i.e. a significant reduction in costs through the administrative integration of the two structures and the concentration of similar activities (such as the management of the Group's various property holdings). Following the merger, one of the two listed entities no longer existed and so there was consequent simplification and streamlining of the holding structure and the registered office was transferred from Florence to Milan, where the Intek offices had previously been located.

There is a significant impact expected from the unified strategy which the merger is imposing on the Group.

We should recall that the Intek Group's current mission is to manage the individual activities, which were previously under the control of the two listed companies, as a single entity, regardless of the nature of the business undertaken (industrial or financial). In concrete terms, the aim of this management approach is to create value from the individual assets, whether they are companies, business divisions or single assets, with a sharp focus on their ability to generate cash flow or to increase value over time.

In line with this strategic redefinition, we believe 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, which we would call "dualistic", 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, on the other hand, 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.

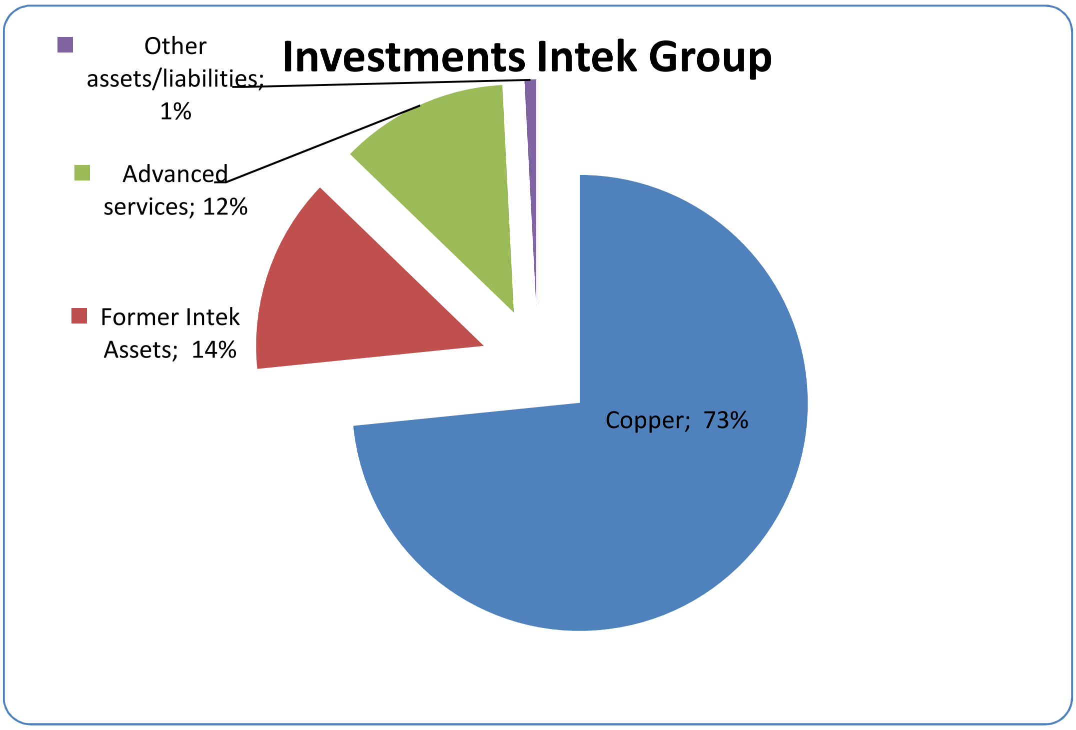
This work implies continuous fine-tuning of the operational strategies of the individual businesses, careful control of the subsidiaries and the results they achieve, including looking for possible agreements and/or partnership opportunities with others. And once again these principles are and will be applied to the Group's industrial and financial activities.

This approach is set against the prolonged period of economic downturn which is gripping our continent, and is in some ways a consequence of that. Given the current and continuing limited availability from the banking system of financial resources for investments, the process of divesting some activities can be speeded up, even if this means accepting a value that is lower than the potential maximum attainable. This could ensure access to financial resources to invest in operations with a better return, while maintaining of course utmost attention to assessing the risk being taken on, the sustainability of the outstanding financial commitments and those generated by the corporate reorganisation process.

In this context the significant know-how acquired in some industrial sectors has attracted considerable interest from some industrialists. As part of this the subsidiary KME A.G. has established an important framework agreement with the Chinese company Golden Dragon Precise Copper Tube Group Inc. The agreement relates to a 50/50 joint venture in the connectors segment, with particular types of high added value copper alloy laminates used for electric cable connections, for example in the car components sector. The total value of the assets supplied by the two partners under the project, execution of which is, nonetheless, dependent on issue of the necessary authorisations by the central and local authorities of the People' Republic of China as well as by the competent Chinese and European Antitrust Authorities, is expected to reach an amount of around 150 million Euro.

The unified management of the businesses that were previously run by the KME Group and by Intek implies for the Intek Group an opportune diversification of the sourcing of its financial resources from sectors with varying levels of exposure to the current economic situation. Financial assets in particular are less exposed to the economic cycles than the industrial assets.

The investment sectors of Intek Group can be summarised as follows:



*In 2012 the income statement closed with **Profit from ordinary activities** of Euro 2 million, in line with that of the previous year. **Non-recurring expenses** totalled Euro 19.5 million and, for Euro 18.4 million, referred to adjustments to the carrying amount of the investments in KME Partecipazioni and KME Recycle (subsequently transferred to KME A.G.) and for Euro 1.1 million to costs relating to extraordinary corporate operations. The **Loss for the year**, net of tax expense, totalled Euro 18.4 million (loss of Euro 9.9 million in 2011).*

As for the financial profile, the Parent had net debt of Euro 84 million, including Euro 59 million for debt securities falling due in 2017 which were issued during the public exchange offers.

The Equity of the Parent was Euro 436 million at 31 December 2012. This figure was affected by the public exchange offer. The equity value per share was Euro 1.1, a 20% increase on the end of 2011.

The first few months of 2013, in which the poor economic climate continued, saw the Intek Group involved not only in the above joint venture, but also in the disposal by the fund I2 Capital Partners of the investment in Franco Vago S.p.A. This disposal allowed the Intek Group to receive its share worth around Euro 7.0 million.

2012 Directors' report

Dear Shareholders,

The Report we offer you this year includes the first effects of the complex corporate reorganisation that was undertaken during 2012.

This project aimed to bring under a single holding company the corporate structures of KME Group S.p.A. and Intek S.p.A., a company subject to joint control, with the aim of managing together the strategies concerning individual businesses of each entity so as to develop them, focusing on cash flow generation or creation of value in the long term.

This merger, which was achieved via the merger of Intek into the KME Group, as approved by the respective Shareholders' meetings on 9 May 2012 and with effect from 30 November, diversifies the sources of financing which the two companies separately control: the cash flow generation from operations primarily linked to its industrial business, and strongly associated with trends in the economic cycle, will be combined with cash flows generated from realized gains on former Intek assets (mainly real estate properties and receivables) and from its private equity activities, which are less influenced by economic conditions.

In addition, the merger of the two holding companies into a single company, which changed its company name to INTEK Group S.p.A., enables operating costs to be contained, linked to the fact that KME and Intek were both listed companies, by combining the functions and services which were under the two organisations as well as unifying their location. As regards the last point, on 19 December approval was given to transfer the registered office from Florence to Milan, where the operational offices of the Company were already located. This change to the by-laws became effective as from 7 January 2013.

Before going through with the merger, which caused a change in the respective strategic objectives, the two companies offered shareholders who felt it was convenient the possibility of transforming, through a public exchange offer ("PEO"), their shares into new listed bonds issued by the offering companies and characterised by a lower level of risk and an attractive return. Shareholders, who have decided to keep their shares and follow the new strategies, benefit from the fact that the purchase of shares by the companies concerned, KME Group and Intek, occurred at a price below the carrying amount of equity of the companies.

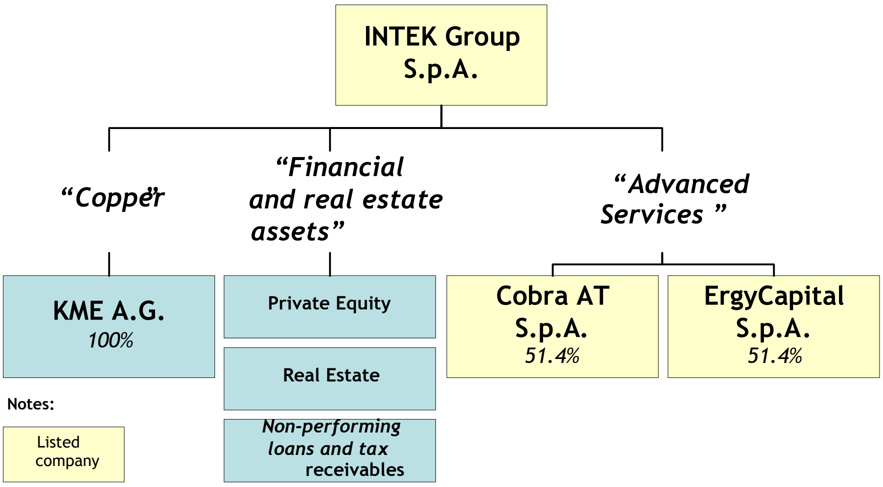
At the end of the various periods of the PEOs the ordinary KME shares that took up the offer totalled 26.3% of the voting share capital and 45.5% of the ordinary shares covered by the PEO, for a total value, calculated on the basis of the nominal amount of the equity instruments offered in exchange, of Euro 48.7 million.

With regard to Intek, ordinary Intek shares, equal to 17.9% of the voting share capital and 35.0% of the ordinary Intek shares subject to the Offer, were offered for a total value – calculated on the basis of the nominal amount of the Bonds offered in exchange - of Euro 11.3 million.

After carrying out the merger, control of the new entity INTEK Group S.p.A. remained under Quattroduedue Holding B.V. (Amsterdam – Holland), through its wholly owned subsidiary Quattroduedue SpA, with 45.7% of the ordinary share capital.

The Group's corporate structure, updated to the date of this Report, is as follows:

Summary of the Group's corporate structure



The **investment/business sectors** of INTEK Group S.p.A. are: the traditional one of "**copper**", which includes the production and marketing of copper and copper-alloy semi-finished products by German subsidiary KME A.G., which continues to be the Group's core business; the sector of "advanced services" which includes investment in "**energy from renewable sources**" and energy saving handled by ErgyCapital S.p.A., a Rome-based investment company which is listed on the Italian Electronic Stock Exchange (MTA) and that in integrated "**services**" in the field of managing the risk associated with the possession, ownership and use of vehicles which is run by Cobra A.T. S.p.A., a company based in Varese, listed on the MTA; the sector of "financial and real estate assets" which includes the private equity business, which is mainly carried out through the closed end investment fund I2 Capital Partners, and the management of receivables and real estate assets.

Thanks to its new structure, INTEK Group SpA will therefore play an even more prominent role as a holding company with different corporate purposes. Its objectives involve managing and enhancing assets and equity investments held in the portfolio, including through the transfer of assets which are functional to the growth strategies; this process will involve a dynamic approach to all managed activities with the analysis of the return/resources ratio and seeking solutions for those which do not meet satisfactory levels.

In the "**copper**" sector the difficult macroeconomic situation in recent years, which has been dominated by a serious recession above all in European countries and widespread uncertainty, made radical rationalisation necessary. These initiatives are aimed at further concentrating production and distribution activities and are accompanied by rigorous discipline in investment choices. The Group is also aiming to diversify its businesses by facilitating innovative solutions and proposing new uses for its products, enhancing operational efficiency and organisational flexibility, with models capable of reacting to and leading change and promoting innovation with a particular focus on customers and the market.

Since the second half of 2010, ErgyCapital S.p.A., operating in the "**renewable energy**" sector, has begun to revise the mission of the Group, and its restructuring by closing certain operating facilities, reducing the number of staff, and thus significantly lowering operating costs. The adopted actions have begun to show their positive effects in 2011, and consolidated themselves in 2012.

From the viewpoint of business strategy, in consideration of the significant uncertainty created in the photovoltaic sector, the Company has identified the biogas and geothermal sectors as the two business areas which offer the best growth prospects.

While in the photovoltaic sector the creation of value from pre-authorised projects is being pursued as well as continuation of the work to streamline the management of plant which has already been built without using additional financial resources, for the biogas sector the aim is to create value from the pipeline of authorisations by constructing plant or extracting value from projects; in the geothermal sector the management strategy continued to be opportunity based.

The new strategic lines were adopted with the aim of returning ErgyCapital to profitability and financial stability, a condition necessary to effectively develop cooperation/integration with other entities operating in the renewable energy sector so as to boost growth and increase value.

In the "**services**" sector, through the investment in Cobra Automotive Technologies S.p.A., 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. The reorganisation of Cobra A.T. continued in 2012 with the decision to proceed with disposal of the Electronic Systems division with the aim of concentrating on online business with higher added value and enhancing medium-term financial equilibrium through this change.

As for the sector of "**financial and real estate assets**", for real estate investments, tax receivables, non-performing loans and those deriving from bankruptcy proceedings, sale/collection programs are already in place.

For investments in “private equity” the future programs are aimed at maximising value and developing interests held by the closed end investment fund, which is reserved for qualified investors, managed by I2 Capital Partners SGR; a fund which ended the investment period at the end of July 2012. The first quarter of 2013 saw the sale of the investment held in Franco Vago SpA, an important operator in the transport and logistics field for the fashion and luxury goods sector. This sale enabled the realisation of a significant return on the investment.

The Parent INTEK Group S.p.A.

The configuration adopted by the Company, on the outcome of the merger described above, as a real holding company for diversified investments with the aim of dynamic management of investments, will increasingly lead the separate financial statements of the Parent to represent more effectively the financial structure and the effective income performance of the new entity.

INTEK Group S.p.A. ("INTEK Group" or the "Company") 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 shorter investment cycles and faster cash flow generation, also through the sale of assets to support the new growth strategies.

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.

At 31 December 2012 the carrying amount of the Company's investment totalled Euro 520 million, with net debt of Euro 84 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:

(Millions of Euro)	2012	2011(*)
Investments / Assets	520	465
Of which:		
• Copper sector	382	390
• "Financial/real estate" sector	72	-
• "Advanced Services" sector	62	78
• Other	4	(3)
Equity	436	452
Of which:		
• Share capital	314	297
• Reserves	140	165
• Loss for the year	(18)	(10)
Reclassified net financial debt	84	13
Of which		
• Equity instruments 2012/2017	48	--
• Bonds 2012/2017	11	--
• Other net debt	25	13

(*) 2011 data refer solely to the mercing company KME Group S.p.A.

The Equity per share was 1.1 Euro, a 20% increase compared to the value at the end of 2011. **Equity** fell by Euro 46 million due to the annulment of the ordinary shares which were exchanged with debt securities under the public exchange offers last July/August, as well as due to the loss in 2012; on the other hand, equity increased due to the merger of Intek S.p.A. (Euro 48 million, net of the withdrawal effects) which was effective as from 30 November 2012.

The holding's **profit from ordinary activities** was Euro 2.0 million. After non-recurring expenses of Euro 19.5 million, mainly due to impairment losses oninvestments, the **loss** for the year was Euro 18.4 million (loss of Euro 9.9 million in 2011).

The **income statement** shown below has been reclassified by presenting non-recurring income/(expense) as a separate line item.

Reclassified income statement

Euro/000	2012	2011
Services income	2,609	2,839
Net operating costs	(4,591)	(5,066)
Stock option costs	(421)	(867)
Net financial income	4,424	5,216
Profit from ordinary activities	2,021	2,122
Non-recurring income /(expenses) (*)	(19,553)	(11,160)
Loss before taxes	(17,532)	(9,038)
Taxes of the year	(850)	(847)
Loss for the year	(18,382)	(9,885)

(*) of which Euro 18.4 million due to impairment losses on investments and Euro 1.1 million for the non-recurring operation

The **reclassified net financial position** of the Parent at 31 December 2012 was as follows:

Euro/000	31 Dec. 2012	31 Dec. 2011
▪ Cash and cash equivalents	(10,576)	(6,605)
▪ Other financial assets	(439)	-
▪ Current loan asset fromsubsidiaries	(38,454)	(30,484)
▪ Current receivables for financial guarantees due from subsidiaries	(5,152)	(5,262)
Net financial assets	(54.621)	(42,351)
▪ Current loans and borrowing	50,720	41,015
▪ Loans and borrowing due to subsidiaries	15,021	7,787
Current-term financial payables	65,741	48,802
Short-term net financial position	11,120	6,451
▪ Non-current financial payables	57,770	59,848
▪ Equity instruments INTEK Group 2012 – 2017	46,472	-
▪ Bonds INTEK Group 2012 – 2017	10,594	-
Non-current financial payables	114.836	59,848
Net financial position (1)	125.956	66,299
▪ Non-current receivables for financial guarantees due from subsidiaries	(3,084)	(6,834)
▪ Non-current loan assets - subsidiaries	(34,585)	(42,010)
▪ Non-current loan assets- banks	(4,396)	(4,575)
Reclassified net financial position	83.891	12,880

(1) Definition pursuant to communication CONSOB DEM 6064293 of 28.7.2006 in application of the CESR recommendations of 10 February 2005.

The change in the net financial position was due largely to the issue of debt securities following the public exchange offers and the merger.

As from November 2012, coinciding with the operation which led KME Group S.p.A. to merge the activities of Intek S.p.A., as well as to change the company name into Intek Group S.p.A., 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 S.p.A. (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, was transferred to the German industrial holding KME A.G.; Intek Group S.p.A. has kept only its role as guarantor.

The same thing occurred, in the first few months of the current year, for the loan signed with Unicredit Mediocredito Centrale (UMCC) with a residual amount of Euro 45.7 million. Besides the loan, the assets of the Group's industrial companies arising from use of the loans were also transferred. In this case too Intek Group has kept a role only as guarantor. This transfer follows that to KME A.G. of all the investments in the copper sector. The whole transfer (loan assets and loans and borrowing and investments) essentially had a zero net balance.

As for 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 year 2012 are summarized as follows:

Statement of cash flows

Euro/000	2012	2011
(A) Cash and cash equivalents at the beginning of the year	6,605	251
Loss before taxes	(17,532)	(9,037)
Amortisation and depreciation of property, plant and equipment and intangible assets	25	16
Impairment losses (reversal of impairment losses) on current and non-current financial assets	18,380	9,700
Changes in provisions for pensions, post-employment benefits and stock options	305	875
Changes in provisions for risks and charges	-	(753)
(increase) decrease in current receivables	1,164	(2,434)
Increase in current payables	710	1,597
Taxes paid during year	597	(339)
(B) Total Cash flows from (used in) operating activities	3,649	(375)
(increase) in non-current intangible assets and property, plant and equipment	(1)	(64)
(increase) decrease in investments	4,621	(24,531)
Increase/decrease in other non-current assets/liabilities	(2,298)	336
Dividends received	-	131
(C) Cash flows from (used in) investing activities	2,322	(24,128)
Changes in equity	(47,007)	57
(Purchase) sale of treasury shares	(2,543)	226
Increase (decrease) in current and non-current loan assets	9,121	(77,387)
(increase) decrease in current and non-current loan assets	21,743	115,951
Dividends paid and profits distributed	-	(7,990)
(D) Cash flows from (used in) financing activities	(18,686)	30,857
(E) Change in cash and cash equivalents (B)+(C)+(D)	(12,715)	6,354
(F) Cash and cash equivalents contributed by the merged company	16,686	-
(G) Cash and cash equivalents at the end of the year	10,576	6,605

With respect to the **business outlook**, commissions on the financial guarantees given on behalf of subsidiaries will fall due during the current year and former Intek assets will be subject to divestments. As regards performance of the equity investments, please refer to the following sections on development in the sectors that the Group is involved in.

Performance in the various investment sectors

<u>Copper sector</u>

2012 was another poor year for business internationally and future prospects are still subject to considerable uncertainty.

The slowdown affected not only advanced economies to varying degrees, but also emerging economies, albeit to a lesser extent.

In Europe, the main business area for the Group, business drifted back towards a negative trend, extending also to the most solid countries such as Germany, reflecting the weakness of domestic demand: investments in fixed assets fell due to uncertain prospects for demand and greatly underused production capacity, while consumption stagnated; only foreign trade continued to make a positive contribution to production.

The prolonged recession in many European economies is continuing to affect the production of copper and copper-alloy semi-finished products (excluding cables).

In the four main areas worldwide (Europe, United States, Japan and China), the estimate for the whole of 2012 is for a fall in production of around 2% compared to the previous year, having reached 7.4 million tonnes.

In Europe, after the recovery in 2010, the fall in production, which had already been seen in 2011, continued; in 2012 the estimated fall was around 5%, with production of under 2 million tonnes. From the geographical viewpoint, production continued to suffer above all in the Iberian peninsula; from the viewpoint of the business sectors, the slowdown in consumption affected the building products sector, while demand for semi-finished products for industry fell more slowly.

As for the other industrialised areas of the world, the United States and especially Japan ended 2012 with falling production.

An exception to the fall in production was once again China where, albeit at a more restrained growth rate than in previous years, production of semi-finished products remained broadly in line with that for 2011, confirming a production level of around 3.9 million tonnes, or over 50% of all the main industrialised areas.

In the last quarter of 2012, the demand for **copper and copper-alloy semi-finished products for the construction industry** continued to be weak and this was also adversely affected by the high level of copper prices and their volatility, causing uncertainty in users' spending decisions and making other metals that are less hampered by price trends more competitive.

In order to deal with this, the KME Group continues to promote integrated and innovative solutions, proposing to interior designers to create coverings and objects in copper or copper alloys in all its myriad forms for applications and aesthetic effects.

Specific attention is given to the contents of the environmental and health plan of offered products.

The action taken led to welcome increases in added value and in prices, even if sales volumes, which fell sharply as from the final quarter of 2011, made the resulting benefits less marked; a negative impact was recorded above all in the construction laminates segment, which in twelve months saw a fall in the quantities sold compared to the previous year of around 26%.

After the good recovery of sales volumes in the first quarters of 2011, sales of brass bars dropped sharply in 2012; the effect on prices has remained positive.

In the final quarter of 2012 the trend in demand for **semi-finished products for the industrial sector** confirmed the slowdown which started at the end of 2011. The slowdown affected Italy and Spain above all, while France was more stable; there was a significant fall in Germany compared to the previous months.

With respect to the various sectors, performance in the electrical appliance and air conditioning sectors has remained flat, while the electrical, mechanical components and automotive sectors proved more stable. As a result, sales in both industrial laminates and industrial pipes slumped.

In the second part of the past year sales of special products were affected by the slowdown in business in emerging countries and the postponement of some investment projects, in particular those of products for steel production.

As for sector's economic and financial trend, the industrial and commercial measures taken could not offset the unfavourable situation on the markets and the weakness in demand due to which profits in 2012 fell compared to the previous year.

Key consolidated results of the copper sector

(Millions of Euro)	2012	2011
Revenue	2,571.5	2,969.7
Revenue (not including raw materials)	709.8	799.9
EBITDA (gross operating profit)	44.5	92.2
EBIT (operating profit)	0.4	46.8
Profit (loss) before non-recurring items	(24.4)	27.5
Non-recurring income/(expense)	(50.0)	(25.0)
Effect of IFRS measurement of inventories	10.3	1.1
Loss for the year	(63.4)	(7.8)
Net financial position at 31 December	242.2	175.4
Equity at 31.12.2012	205.3	269.1

The **Consolidated revenue** in 2012 amounted to a total of Euro 2,571.5 million, down by 13.4% on 2011, when it was Euro 2,969.7 million.

This decrease was influenced by decreased sales volumes (-13.5%) and the lower average prices for raw materials. Net of the latter, revenue decreased from

Euro 799.9 million to Euro 709.8 million, down by 11.3%; a comparison with the trend in sales volume confirms the positive effects of the price recovery.

EBITDA (gross operating profit) in 2012 was Euro 44.5 million; it was, therefore, lower than in 2011 when EBITDA was Euro 92.2 million (-51.7%).

EBITDA in the fourth quarter of 2012 was in line with that achieved in the previous quarter, but well below that of the first two quarters of the year, confirming the gradual drop in profits in the second part of the past year. In relative terms, EBITDA as a percentage of revenues fell from 11.5% in 2011 to 8% in the first half of the 2012 and to 6.3% at the end of 2012.

EBIT stood at Euro 0.4 million (Euro 46.8 million in 2011).

The **Operating profit before non-recurring** items was Euro 24.4 million (profit of Euro 27.5 million in 2011).

Net non-recurring expense were Euro 50.0 million, almost entirely due to further work to reorganise and streamline the industrial units in the sector, the benefits of which will be seen in subsequent months.

The **consolidated loss** in the copper sector was Euro 63.4 million (a loss of Euro 7.8 million in 2011).

Financially, **net financial position** as at 31 December 2012 was Euro 242.2 million (Euro 175.4 million at the end of December 2011).

Regarding the **trend in operations**, following a second half of 2012 during which there was confirmation of the increasing fall in sales that started at the end of 2011, the first few months of 2013 are not showing any signs of improvement, a situation which risks having a negative impact on performance for the first part of the year.

The adoption of cost-cutting measures in production and organisational structures, including past measures taken and those still in place, will help the Group raise its levels of competitiveness. This is necessary to continue to improve operating profit once the economic framework governing the various business markets recovers.

In this context, KME recently presented the unions with a business plan to allow the Group companies to face up to a difficult economic context with a real prospect of being successful. The plan aimed to optimise production by maximising the use of the high quality production in various European factories and seeking to create synergies in order to maintain profits and leadership, albeit in a weak market.

For the Italian businesses the plan envisages: the further development of the new refining kiln with leading edge technologies for the use of recycled raw material which enables significant energy saving and favours environmental sustainability; the diversification of the portfolio of alloy laminates; the enhancement of special products; and the consolidation and streamlining of the production of brass rods and pipes.

The plan envisages concrete actions aimed at significantly reducing personnel expense and so the Group has appealed to the workers' representatives to demonstrate a sense of responsibility in order to manage this crucial stage and look at all the possible solutions to minimise the social consequences and, at the same time, to make the Italian businesses competitive again.

Besides enhancing operating efficiency and organisational flexibility, the copper sector is undertaking a wide-ranging review of all the businesses managed and looking for solutions for those which fail to achieve acceptable returns compared to the resources engaged, through sales or agreements/partnerships to create value from their growth in the medium term.

As part of this policy, the subsidiary KME A.G. has established an important framework agreement with the Chinese company Golden Dragon Precise Copper Tube Group Inc. The agreement relates to a 50/50 joint venture in the connectors segment, with particular types of high added value copper alloy laminates used for electric cable connections, for example in the car components sector.

KME will contribute to the initiative with the German factory at Stolberg and with the plant design of other units in its Group as well as by contributing its own consolidated know-how in the sector. The Chinese company will offer the joint venture the financial resources needed to cover the investments for the construction of a new production facility in the Chinese Province of Henan.

The total value of the assets supplied by the two partners under the project, execution of which is, nonetheless, dependent on issue of the necessary authorisations by the central and local authorities of the People' Republic of China as well as by the competent Chinese and European Antitrust Authorities, is expected to reach an amount of around 150 million Euro.

In 2012 the overall **investments** of the segment's production units totalled Euro 34.0 million (Euro 53.1 million in 2011).

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.

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: one in Germany (Osnabruck) and one in Italy (Fornaci di Barga).

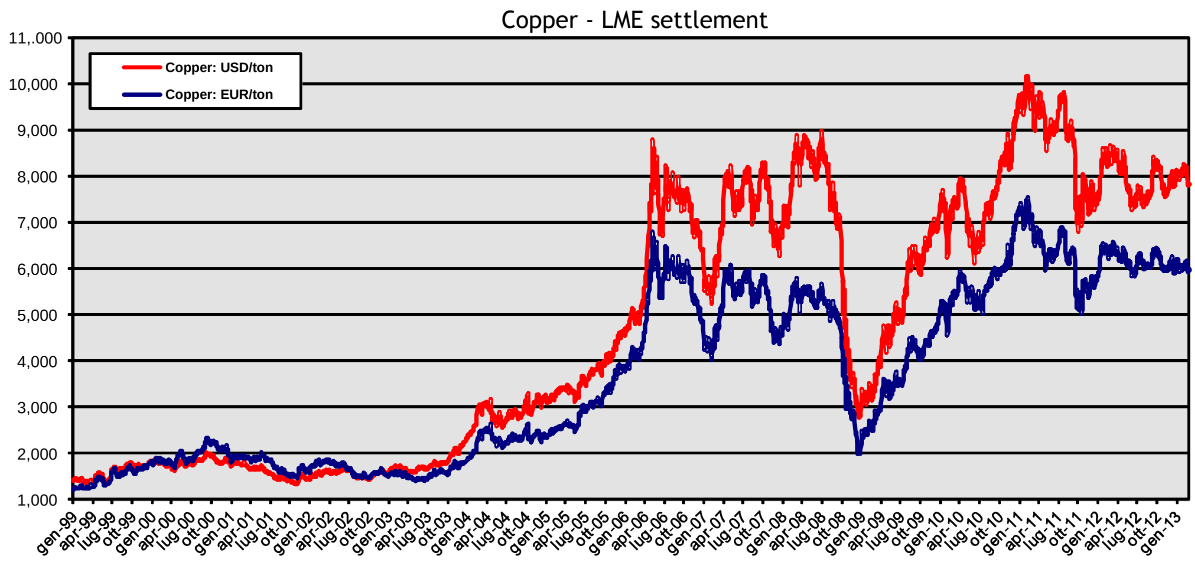
Each research centre has its own specific skills, but ongoing synergies involving researchers, customer needs, universities and the Group's facilities make it possible to guarantee the development of integrated joint projects.

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 segment's **workforce** at 31 December 2012 numbered 5,974 (6,249 as at the end of 2011).

The **price of copper raw material**, which is the metal most widely used in the production of the Group semi-finished products, decreased by an average of 9.8% in US$ in 2012 compared to the previous year (decreasing from US$ 8,812/tonne to US$ 7,950/tonne) and by 2.3% in Euros (from Euro 6,330 to Euro 6,183) due to the appreciation of the US currency during the year. In terms of trends, the average prices of copper in the fourth quarter of 2012 increased by 2.6% in US$ compared to the third quarter (from US$ 7,706/tonne to US$ 7,909/tonne) and decreased by 1% in Euros (from Euro 6,162 to Euro 6,099). Compared to the fourth quarter of 2011, prices have risen by 5.6 % in US$ (from US$ 7,489 to US$ 7,909) and by 9.8% in Euros (from Euro 5,555 to Euro 6,099).

The average price of copper was US$ 8,059/tonne in the first two months of 2013, corresponding to Euro 6,049/tonne.



Sector of "financial and real estate assets"

The financial sector contributed to the 2012 financial statements of INTEK Group only with the results achieved in December from the work which was previously undertaken by Intek SpA.

Intek SpA, which was merged into KME Group SpA with effect as from 30 November 2012, was an investment holding operating in the financial sector through the management of investments and funds, and whose asset portfolio was being valorised. Intek carried out traditional private equity business also through the closed end and reserved investment fund I2 Capital Partners, which is organised and managed by I2 Capital Partners SGR which operates in the special situations segment.

In addition, Intek used to operate in the real estate sector through some of its investees. These assets were also transferred to the merging company INTEK Group which is continuing with the work to create 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 court-approved arrangements with creditors.

Although the INTEK Group financial statements only include one month of the previous work undertaken by Intek, it seems opportune to illustrate the ongoing operations in 2012, until the date the merger became effective, for Intek and for its main subsidiaries.

Investments

In the first few days of August Intek signed and executed an agreement for the sale at a price of Euro 15.0 million of the 10% investment held in Reinet TCP Holdings Ltd. The implementation of this operation enabled the monetisation of the increases in value realised since the start of the investment, which was made in 2010, for a total of approximately Euro 4.0 million compared to a net invested total of Euro 11.0 million. This sale was of significant benefit to Intek's net financial position, with a positive effect also on net financial expense.

In addition, during the first half of 2012 Intek benefitted from the receipt of a receivable of Euro 4.3 million in execution of the bankruptcy proceeding involving the subsidiary FEB - Ernesto Breda.

In October, in compliance with contractual provisions, Euro 0.9 million was received relating to the sale of Ducati Energia.

In relation to FEB – Ernesto Breda SpA ("FEB"), the company continued with the work to create value from its assets and to manage the ongoing dispute. As for the first aspect, during the year the court-approved arrangements commenced by FEB were executed in relation to the investees Breda Energia SpA and Bredafin Innovazione SpA both in administrative compulsory liquidation. This enabled FEB to collect a receivable of Euro 4.8 m. from Bredafin Innovazione. As a consequence of the outcome of the Breda Energia arrangement, FEB paid Euro 4.3 million to Intek to settle the aforementioned receivable, in execution of the commitments entered into during the proposed arrangement. Again in regard to the commitments entered into, it arranged to recapitalise, within the minimum legal limits envisaged for companies limited by shares (*società per azioni*), Bredafin Innovazione and Breda Energia which, after withdrawal of the administrative compulsory liquidation, will continue in the realisation of their activities.

It is noted that in 2013 a summons was received from SGA – Società per la Gestione di Attività SpA (hereafter "SGA") regarding the claims it made for conditional receivables which had already been recorded in the procedure which ended with the same court-approved arrangement with creditors after bankruptcy which involved FEB and on which further information is given in the section on disputes.

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At the end of July 2012 the investment period ended for the I2 Capital Partners 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 valorise the assets held in the portfolio through their disposal. The only operations which will be completed are those which have already started and relate to some potential investments involving non-operating companies.

I2 Capital Partners SGR, in consideration of the changed activity of the fund, approved a revision of its own medium to long term strategic plan which envisages a drastic reduction in overheads so as to enable the company to make a profit despite lower fee income, since fees are calculated solely on the basis of the existing portfolio.

During 2012 the fund did not make any new investments.

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Activities of the I2 Capital Partners fund

From the start of its business to 31 December 2012, the fund drew down a total of Euro 113.5 million, in order to make investments and cover operating costs. During 2012 a draw down Euro 1.5 million was made.

At 31 December 2012 investment had been made for Euro 90.6 million, including disposals. On the same date outstanding investments totalled Euro 43.4 million, almost entirely relating to equity investments. At today’s date the fund has already repaid subscribers for a total of Euro 68.6 million (including the repayment made in March 2013 of Euro 36 million deriving from the sale of the investment in Franco Vago).

The fund’s investments at 31 December 2012 related to:

- Franco Vago Group;
- Selecta Srl Group – Investment in the Venturini Group;
- Nuovi Investimenti SIM SpA;
- Alitalia – Compagnia Aerea Italiana SpA;
- Isno 3 Srl –Festival Crociere Procedure;
- Isno 4 Srl –OP Computers Procedure;
- Benten Srl for bankruptcy proceedings relating to companies in the Cecchi Gori Group;

- Purchase of non-performing receivables (Safim Factor SpA in administrative compulsory liquidation).

As already noted previously, the investment held in Franco Vago SpA was sold in February 2013 to an important Japanese multinational. The sale took place at a price of Euro 43.6 million, including sale costs, with the realization for the fund of a capital gain, including taxes, of approximately Euro 23.6 million. Part of the price, equal to Euro 5 million, was put in an escrow account against the guarantees provided on signing the contract. It is envisaged that the sums deposited in the escrow account will be released (50%) by 30 June 2014 and the remainder at the end of the second year from the date of the sale.

In reference to the investment in the Festival Crociere Procedure, made by Isno3 Srl, at the end of December 2012 a first level sentence was issued by the Court of Genoa relating to the dispute with an important foreign banking group and other defendants, and which recognised a receivable of Euro 6.7 million for actions to set aside detrimental acts in favour of Isno 3 Srl. However, this sentence was not considered satisfactory by the fund since it did not accept the other requests made by the company which challenged the sentence before the Genoa Court of Appeal.

Positive results were also achieved by the investee Benten Srl, a company which manages the bankruptcy relating to companies in the Cecchi Gori Group and in which the fund has a 30% investment.

Progetto Ryan 2 Srl (formerly Meccano SpA)

Intek, after careful reflection on the results achieved by this investee, decided to quit the business the latter managed in the sector of financial services for companies.

An operation was undertaken which allowed some of the other shareholders to take over the company, which was sold for Euro 400 thousand, enabling INTEK Group to become a shareholder with an 88% stake in Meccano SpA which was transformed into a limited liability company (*società a responsabilità limitata*) and, at the same time, liquidated, and had its company name changed to Progetto Ryan 2 Srl. The liquidation procedure, since it practically cancelled all the costs that were incumbent on the company, aimed to collect the remaining receivables held in the portfolio. The values of the receivable arising from the sale of the company and the residual asset held by the company will enable the recovery of the investment for Euro 0.5 million.

Inteservice Srl in liquidation

As part of a more general rationalisation of the Group, it was decided to proceed with the liquidation of Inteservice, which is engaged in credit recovery and the administrative management of court-approved arrangements on behalf of Intek and of the I2 Capital Partners fund. These activities are now largely conducted by INTEK Group at the offices in Milan. Inteservice was put into liquidation at the end of October 2012 and significant closure costs are not expected.

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As for real estate area the work to create value from properties in the portfolio continued.

The subsidiary I2 Real Estate sold a property located in Montereale Valcellina (PN) which ensured income of Euro 0.6 million and completed the sale of the property in Conegliano Veneto (TV) which generated total receipts of Euro 5.8 million, thus enabling full recovery of the carrying amount.

Work is also continuing on the sale of properties in Padua, with the pre-sale agreement signed last year, and a property in Paris.

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.

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As for financial management, it is noted that in March 2012 the instalment of Euro 5.0 million was paid on the outstanding loan with GE Capital, which therefore fell to Euro 15 million. Of this latter sum, Euro 5 million will fall due on 31 March 2013 and Euro 10 million on 30 September 2013.

Advanced Services Sector

In the **Advanced services** sector, through the investment in the listed company **COBRA Automotive Technologies S.p.A. (hereafter "Cobra")**, 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 reorganisation and restructuring of its activities, which started in past years. This process will allow optimisation of its resources and a reduction in operating costs in order to achieve greater efficiency. This streamlining, together with an improvement in volumes and the offer of new products, will be essential factors for the growth of Cobra in future years.

This program will enable the rationalisation of operating processes for the electronics segment, with the aim of focussing on margins as well as revenues, with a consequent improvement in operating results, as happened in 2012 compared to 2011. This is linked also to the renewal of the product range which will enable coverage of further market segments in order to create extra value from the electronics branch, with a view to a possible disposal in the medium term.

As for the services segment, work will continue to develop online and safety services. For online services, work will continue in 2013 to collaborate with the insurance sector and with the Generali Group in particular; in the automotive sector, work will continue with Porsche AG, on the basis of existing contracts and contracts which will be significantly developed over coming years.

At 31 December 2012 the Cobra Group, also owing to market trends and failure to complete disposal of the electronics branch, did not comply with the covenants envisaged by an agreement for a loan of Euro 28.5 million. Therefore, negotiations are underway with the lending banks to reach a standstill agreement until 30 September 2013 on the existing lines of credit. The agreement in question envisages maintenance of the current credit lines and a moratorium both on principal and interest payments, in order to define with the banks the financial manoeuvre connected to the plan presented to them. INTEK Group, through KME Partecipazioni S.p.A., has expressed its willingness, subordinate to Cobra being granted the aforementioned standstill period by the lending banks, to provide Cobra with a shareholders' loan of Euro 1.5 million. Cobra clarified in its press release of 26 March that the banks have frequently confirmed their willingness to consider, and put to their respective approval bodies, the requests made by the company. Nonetheless, at the date of approval of the draft financial statements, no formal acceptance of the proposal had been received. This fact, in terms of recording the standstill agreement, is a source of significant uncertainty over the company's ability to continue to operate on the basis of being a going concern. Notwithstanding this, Cobra AT management is reasonably confident of formalising the aforementioned agreement as soon as possible and this will pave the way to rescheduling the outstanding debt. For this reason too, in preparing the financial statements at 31 December 2012, the Cobra directors continued to adopt the going concern assumption.

In 2012 Cobra recorded consolidated **revenue** of Euro 156.6 million, with growth in the services business unit (+35.7%) and a fall in the electronic systems unit (-12.2%). Consolidated **EBITDA** improved from Euro 3.6 million in 2011 to Euro 5.8 million at 31 December 2012 (+61.1%). The **consolidated loss** was Euro 14.7 million (a loss of Euro 17.7 million in 2011), after recording non-recurring expense for Euro 9.1 million. The **consolidated net financial position** showed debt of Euro 38.2 million compared to Euro 39.5 million at 31 December 2011.

For further information on the operating performance of Cobra A.T. S.p.A., refer to the documentation made available by the Company.

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In reference to renewable energies, the parent of the sector, the listed company **ErgyCapital S.p.A.("Ergycapital"),** as from the second half of 2010 started to redefine the Group's mission and downsized the business by closing operating sites, reducing the workforce and the consequently cutting operating costs. The adopted actions have begun to show their positive effects in 2011, and consolidated themselves in 2012.

In terms of business strategy, in the **photovoltaic sector** the company decided to simply valorise projects and to continue with the work to streamline the operation of plant which has already been done without the use of additional financial resources; as for the ***biogas*** sector, the aim is to valorise the pipeline of authorisations by constructing plant or valorising projects; in the **geothermal sector**, an opportunity-based strategy continued to be adopted.

The new strategic lines were adopted with the aim of returning ErgyCapital S.p.A. to profitability and financial stability, a condition necessary to effectively develop any cooperation/integration with other entities so as to boost growth and increase value.

In 2012 ErgyCapital recorded revenue of Euro 18.3 million, showing an improvement on the previous year's figures.

Consolidated **EBITDA** was positive and up markedly, going from Euro 6.7 million to Euro 9.2 million due to: i) the increase in electricity production from photovoltaic plant (+5%); ii) revenue from both biogas plants in operation of Euro 2.7 million which, together with other revenue and income due to the disposal of authorised projects, brought revenue in the sector to around Euro 4.1 million; iii) the continuation of the work to contain operating costs.

The **loss** was Euro 2.1 million (a loss of Euro 7.3 million in 2011) and was affected by the allocations made and impairment losses for Euro 1.1 million.

During 2013 a further improvement in the economic performance is expected by focussing operations on the generation of cash from existing plant which should guarantee a significant net cash surplus, as well prudent growth in the geothermal sector with possible agreements with third parties.

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

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The result of Cobra A.T. Group and that of ErgyCapital for 2012 is recorded in the consolidated financial statements of INTEK Group, which are prepared in accord with the IFRS on an equity basis.

Group results

In reference to Group results during 2012, it is noted that they were influenced by the results of the copper sector and that the services and renewable energy sectors are consolidated on an equity basis. The financial sector, whose operations are included as from 1 December 2012, in practice made no economic impact in the year.

The financial statements take into account the actions of ErgyCapital, at the express request of CONSOB, in relation to the consolidated financial statements for 2011. Therefore, the comparative figures for 2011 have been restated in light of the Euro 2.8 million adjustment made by ErgyCapital.

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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.

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Alternative performance indicators

EBITDA

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

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 "Financial debt".

* * *

Reclassified income statement

In the comments on the operating results, financial and economic information has been used taken from the Group's operating systems and based on accountin 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 of the different methods of measurement and presentation for 2012.*

Intek Group – Reclassified Consolidated income statement "RECL"

(millions of Euro)	2012 IFRS		Reclassifications	Adjustments	2012 Reclassified	
Gross revenue	2,571.50	**100.00%**			2,571.50	
Raw material costs	-		(1,861.80)		(1,861.80)	
Revenue net of raw material costs	**-**				**709.70**	**100.00%**
Personnel expense	(331.40)		15.90		(315.50)	
Other consumables and costs	(2,230.80)		1,888.30	(11.20)	(353.70)	
EBITDA (Gross operating profit) *	**9.30**	**0.36%**			**40.50**	**5.71%**
Amortization/Depreciation	(51.60)		7.60		(44.00)	
EBIT (Operating loss)	**(42.30)**	**-1.64%**			**(3.50)**	**-0.49%**
Net financial expense	(27.60)				(27.60)	
Loss before non-recurring items	**(69.90)**	**-2.72%**			**(31.10)**	**-4.38%**
Non-recurring income/(expense)	-		(51.00)		(51.00)	
Impact IFRS measured inventories and forward contracts	-			11.20	11.20	
Taxes under IFRS measured inventories and forward contracts	-			(0.90)	(0.90)	
Current taxes	(7.60)				(7.60)	
Deferred taxes	6.70			0.90	7.60	
Loss after taxes (IFRS inventory measurement	**(70.80)**	**-2.75%**			**(71.80)**	**-10.12%**
Share of equity-accounted investees	(7.30)				(7.30)	
Profit/(loss) from discontinued operations	-				-	
Consolidated loss for the year	**(78.10)**	**-3.04%**			**(78.10)**	**-11.00%**
Profit attributable to non-controlling interests	0.60				0.60	
Loss attributable to owners of the Parent	**(78.70)**	**-3.06%**			**(78.70)**	**-11.09%**

Intek Group – Reclassified Consolidated income statement "RECL"

(millions of Euro)	2012 IFRS		2011 Reclassified Restated		2011 Reclassified Published	
Gross Revenue	2,571.50		3,011.60		3,011.60	
Raw material costs	-		(2,205.70)		(2,205.70)	
Revenue net of raw material costs	**-**	**100.00%**	**805.90**	**100.00%**	**805.90**	**100.00%**
Personnel expense	(331.40)		(337.10)		(337.10)	
Other consumables and costs	(2,230.80)		(378.20)		(378.20)	
EBITDA	**9.30**	**5.71%**	**90.60**	**11.24%**	**90.60**	**11.24%**
Depreciation	(51.60)		(45.60)		(45.60)	
EBIT	**(42.30)**	**-0.49%**	**45.00**	**5.58%**	**45.00**	**5.58%**
Net financial expense	(27.60)		(15.40)		(15.40)	
Loss before non-recurring items	**(69.90)**	**-4.38%**	**29.60**	**3.67%**	**29.60**	**3.67%**
Non-recurring income/(expense)	-		(24.60)		(24.60)	
Impact IFRS measured inventories and forward contracts	-		7.60		7.60	
Taxes under IFRS measured inventories and forward contracts	-		(6.50)		(6.50)	
Current taxes	(7.60)		(21.90)		(21.90)	
Deferred taxes	6.70		10.30		10.30	
Loss after taxes (IFRS inventory measurement	**(70.80)**	**-10.12%**	**(5.50)**	**-0.68%**	**(5.50)**	**-0.68%**
Share of equity-accounted investees	(7,30)		(8.30)		(7.10)	
Profit/(loss) from discontinued operations	-		(0.60)		(0.60)	
Consolidated loss for the year	**(78.10)**	**-11.00%**	**(14.40)**	**-1.79%**	**(13.20)**	**-1.64%**
Profit attributable to non-controlling interests	0.60		1.10		1.10	
Loss attributable to owners of the Parent	**(78.70)**	**-11.09%**	**(15.50)**	**-1.92%**	**(14.30)**	**-1.77%**

In reference to the **equity**, consolidated equity can be summarised as follows:

Equity		
Euro/000	31/12/2012	31/12/2011 Restated
Share capital	314,225	297,041
Reserves	116,259	148,250
Loss for the year	(78,732)	(15,493)
Equity attributable to non-controlling interests	6,743	6,062
Total	358,495	435,860

The **share capital** at 31 December 2012 was Euro 314,225,009.80, divided into 345,506,670 ordinary shares, of which 21,624,983 were ex merger, and 50,109,818 savings shares, of which 6,546,233 were ex merger. The shares have no nominal amount.

At 1 January 2012 the Group held 7,602,700 ordinary treasury shares, which were recorded at their purchase cost of Euro 2,583,259, and 135,831 savings treasury shares, which were recorded at their purchase cost of Euro 97,058. These shares were cancelled on 12 September 2012 together with the 115,863,263 ordinary treasury shares acquired following the treasury share exchange offer which was approved by the extraordinary shareholders' meeting on 9 May 2012. The cancellation operation only changed the number of shares making up the share capital without changing the value of the latter. The purchase cost of the treasury shares subject to the public tender offer was determined on the basis of the fair value of the financial instrument offered as payment. Following the right of withdrawal granted to shareholders of the merged Intek, during the merger, 6,230,691 ordinary treasury shares and 978,543 savings treasury shares were bought for a total price of Euro 2,543 thousand. Following the merger, also the former Intek savings shares held by the subsidiary KME Partecipazioni became Group treasury shares.

Group Debt at 31 December 2012 stood at Euro 339 million (Euro 197.6 million at the end of 2011). The debt was influenced by the issue of debt securities following the two public exchange offers.

Net Financial Debt (*)		
Euro/000	31/12/2012 (RECL)	31/12/2011 (RECL)
Current loans and borrowing	114,122	228,524
Non-current loans and borrowing	341,983	266,669
Loans and borrowing to Group companies	927	2,418
(A) Total loans and borrowing	457,032	497,611
Cash and cash equivalents	(65,813)	(66,483)
Other financial assets	-	-
Current loan assets	(70,680)	(201,742)
Loan assets from Group companies	(14,135)	(7,182)
(B) Total cash and current financial assets	(150,628)	(275,407)
Fair value of LME and metals forward contracts	(20,994)	(9,280)
Fair value of other financial instruments	1,526	(10,690)
(C) Financial instruments measured at fair value	(19,468)	(19,970)
Consolidated net financial position prior to outstanding securities	286,936	202,234
Outstanding Debt securities (net of interest)	57,066	-
Consolidated net financial position (A)+(B)+(C) (1)	344,002	202,234
Non-current financial assets	(4,585)	(4,589)
Total Net Financial Debt	339,417	197,645

(1) Definition from Consob communication DEM/6064293 dated 28.07.06 enforcing the CESR recommendations dated 10 February 2005.
(*) This is an indicator of financial structure and is equal to gross financial payables reduced by cash and cash equivalents and financial receivables.

Statement of cash flows - indirect method		
Euro/000)	2012	2011
(A) Cash and cash equivalents at the beginning of the year	66,483	39,751
Profit (loss) before taxes	(77,158)	5,462
Amortisation and depreciation of property, plant and equipment and intangible assets	46,524	45,396
Impairment losses on current assets	4,764	3,961
Impairment losses on non-current, non-financial assets	5,148	10,240
Impairment losses on financial assets	7,279	4,695
Losses/(gains) on non-current assets	(18)	(13,562)
Changes in provisions for pensions, post-employment benefits and stock options	2,883	981
Changes in provisions for risks and charges	5,041	73
Decrease (increase) in inventories	36,874	16,842
Share of profit of equity-accounted investees	7,319	9,083
(increase) / decrease in current receivables	11,639	25,091
Increase / (decrease) in current payables	(47,597)	123,294
Changes from currency translation	(185)	(330)
Decrease / (increase) in LME and metals forward contracts	(11,707)	(49,127)
Paid taxes	(7,979)	(22,194)
(B) Total Cash flows from (used in) operating activities	(17,173)	159,905
(increase) in non-current intangible assets and property, plant and equipment	(37,645)	(60,537)
Decrease in non-current intangible assets and property, plant and equipment	1,360	15,766
(increase) decrease in investments	(6,373)	(17,448)
Increase/decrease in other non-current assets/liabilities	(2,890)	7,017
Dividends received	271	852
(C) Cash flows from (used in) investing activities	(45,277)	(54,350)
Equity cash variations	(47,162)	57
(Purchase) sale of treasury shares	(2,543)	226
Increase (decrease) in current and non-current loans and borrowing	(57,539)	(90,648)
(increase) decrease in current and non-current loan assets	149,438	16,271
Dividends paid and profits distributed	-	(7,990)
(D) Cash flows from (used in) financing activities	42,194	(82,084)
(E) Change in cash and cash equivalents (B)+(C)+(D)	(20,256)	23,471
(F) Change in scope of consolidation (merger)	19,586	3,107
(G) Total cash flows from (used in) discontinued operations	-	154
(A) Cash and cash equivalents at the end of the year	65,813	66,483

The reclassified net invested capital was as follows:

Net invested capital (*) reclassified:		
Euro/000	31/12/2012	31/12/2011
Net non-current assets	849,895	802,870
Net working capital	131,971	104,859
Provisions	(283,954)	(274,224)
Net invested capital	697,912	633,505

(*) "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 "Propertuy, 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 takes in closed-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".*

The contribution from Intek and its subsidiaries relates to net non-current assets, above all in terms of real estate investments (Euro 46 million) and non-current financial assets (Euro 20 million). The latter item includes the stakes held in the closed-end and reserved equity fund I2 Capital Partners (Euro 17 million). On the other hand, as regards net working capital, we may note the contribution in terms of receivables linked to the special situations business (totalling Euro 18 million) and tax receivables (Euro 8 million). The latter are in part due to the special situations business.

Other information:

Transactions with related parties

Transactions with related parties, 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 and are disclosed in the notes.

Transactions with related parties of the merged company Intek S.p.A. and with the company itself are considered solely for one month.

Transaction with subsidiaries and parents

Following the merger, Intek Group S.p.A. also took over a loan in regard to the parent Quattroduedue S.p.A. (originally in regard to Quattroduedue Holding B.V.). The loan is repaid on the basis of Euribor plus a 100 basis point spread. At 31 December 2012 the balance on this loan was Euro 1,154 thousand. Quattroduedue guarantees, with 41,500,000 Intek Group shares that it owns, a Euro 5,667 thousand loan provided to Intek Group itself.

As a consequence of the merger with Intek, the company took over outstanding dealings with related parties of the merged company, all of which were remunerated at the market rate. Among these are the receivables in regard to ErgyCapital S.p.A. (Euro 8,302 thousand), Tecno Servizi S.r.l. (Euro 3,898 thousand), Culti S.r.l. (Euro 1,956 thousand) and I2 Real Estate S.r.l. (Euro 1,129 thousand) and payables in regard to the subsidiaries I2 Capital Partners SGR S.p.A. (Euro 2,012 thousand) and FEB Ernesto Breda S.p.A. (Euro 11,570 thousand).

These are mainly financing transactions regulated at the market rate. Operational transactions are, on the other hand, limited.

The breakdown of transactions with subsidiaries and parents is as follows:

		31.12.2012		31.12.2011	
Euro/000		Income	Expenses	Income	Expenses
KME Italy S.p.A.		2,135	(99)	2,318	(916)
KME Brass Italy S.r.l.		75	-	104	(282)
Immobiliare Agricola Limestre S.r.l.		41	-	55	-
EM Moulds S.r.l.		13	-	15	(192)
KME Recycle S.p.A.		186	-	256	-
KME A.G.		69	-40	153	-
KME Germany A.G. & Co. K.G. K.G.		5,713	-32	5,957	(1,332)
KME Brass Germany Gmbh		203	-	267	-
KME Architectural Metals GmbH & Co. K.G. KG		-	-	-	-
KME France S.a.S.		837	-13	3,023	(26)
KME Brass France S.a.s.		250	-	1,017	-
KME Yorkshire Ltd		104	-	152	-
KME Locsa S.A.		115	-	265	-
Culti S.r.l.		14	-	77	(1)
ErgyCapital S.p.A.		177	-	232	-
KME Partecipazioni S.r.l.		146	(165)	1	-
KME Solar Italy S.r.l.		4	-	4	-
I2 Capital Partners SGR S.p.A.(2)	(*)	-	(5)	-	-
Feb - Ernesto Breda S.p.A.	(*)	-	(33)	-	-
I2 Real Estate S.r.l.	(*)	3	(119)	-	-
Idra International SA	(*)	9	-	-	-
Tecno Servizi S.p.A.	(*)	9	-	-	-
Total		10,103	(506)	13,896	(2,749)

Financial (payables) receivables					
Euro/000		31.12.2012	31.12.2011	Change	change %
KME Italy S.p.A.		-	(17)	17	-100.00%
KME Brass Italy S.r.l.		-	(25)	25	-100.00%
Immobiliare Agricola Limestre S.r.l.		-	1,253	(1,253)	-100.00%
EM Moulds S.r.l.		-	(19)	19	-100.00%
KME Recycle S.p.A.		-	6,383	(6,383)	-100.00%
KME A.G.		13,222	4,065	9,185	225.95%
KME Germany A.G. & Co. K.G. K.G.		25,920	31,988	(6,068)	-18.97%
KME Germany A.G. & Co. K.G. K.G.		-	(97)	97	-100.00%
KME Brass Germany Gmbh		3,363	4,106	(743)	-18.10%
KME France S.a.S.		4,890	6,029	(1,139)	-18.89%
KME France S.a.S.		-	(7,629)	7,629	-100.00%
KME Brass France S.a.s.		4,413	6,529	(2,116)	-32.41%
KME Yorkshire Ltd		2,036	2,692	(656)	-24.37%
KME Spain (ex Locsa)		2,020	2,489	(469)	-18.84%
Culti S.r.l.		1,931	-	1,931	insig.
ErgyCapital S.p.A.		8,302	6,839	1,463	21.39%
Idra International SA	(*)	560	-	560	insig.
Tecno Servizi S.p.A.	(*)	3,898	-	3,898	insig.
Newcocot Srl in liquidation	(*)	175	-	175	insig.
KME Partecipazioni S.r.l.		-	121	(121)	-100.00%
KME Partecipazioni S.r.l.		(1,327)	-	(1,327)	insig.
I2 Real Estate S.r.l.	(*)	1,129	-	1,129	insig.
Rede Immobiliare S.r.l.	(*)	1	-	1	insig.
I2 Capital Partners SGR S.p.A.	(*)	(2,012)	-	(2,012)	insig.
Feb - Ernesto Breda S.p.A.	(*)	(11,570)	-	(11,570)	insig.
Quattroduedue S.p.A.	(**)	1,154	-	1,154	insig.
Quattroduedue S.p.A.	(**)	(112)	-	(112)	insig.
Total		57,993	64,707	(6,714)	-10.38%

Trade and other receivables					
Euro/000		31.12.2012	31.12.2011	Change	change %
KME Italy S.p.A.		446	119	327	274.79%
KME Brass Italy S.r.l.		42	58	(16)	-27.59%
Immobiliare Agricola Limestre S.r.l.		-	-	-	insig.
Società Agricola Sanvito Biogas S.r.l.		70	-	70	insig.
EM Moulds S.r.l.		1	8	(7)	-87.50%
KME Recycle S.p.A.		4	-	4	insig.
Green Recycle S.r.l.		1	-	1	insig.
KME A.G.		14	-	14	insig.
KME Germany A.G. & Co. K.G. K.G.		78	2.209	(2.131)	-96.47%
KME Brass Germany Gmbh		30	39	(9)	-23.08%
KME France S.a.S.		78	-	78	insig.
KME Brass France S.a.s.		24	-	24	insig.
KME Yorkshire Ltd		126	-	126	insig.
KME Spain (ex KME Locsa)		15	-	15	insig.
Culti S.r.l.		25	15	10	66.67%
I2 Capital Partners SGR S.p.A.	(*)	80	-	80	insig.
Quattroduedue S.p.A.	(**)	56	-	56	insig.
Quattroduedue Holding BV	(**)	38	-	38	insig.
Inteservice S.r.l.	(*)	119	-	119	insig.
ErgyCapital S.p.A.	(*)	108	-	108	insig.
KME Solar Italy S.r.l.		14	4	10	250.00%
Total		1,369	2,452	(1,083)	-44.17%

Trade and other payables					
Euro/000		31.12.2012	31.12.2011	Change	change %
KME Italy S.p.A.		76	196	(120)	-61.22%
KME Brass Italy S.r.l.		157	-	157	insig.
Immobiliare Agricola Limestre S.r.l.		11	-	11	insig.
EM Moulds S.r.l.		214	-	214	insig.
KME Recycle S.p.A.		-	-	-	insig.
KME A.G.		11	-	11	insig.
KME Germany A.G. & Co. K.G. K.G.		-	794	(794)	-100.00%
Culti S.r.l.		1	-	1	insig.
Inteservice S.r.l.	(*)	283	-	283	insig.
I2 Real Estate S.r.l.	(*)	54	-	54	insig.
Total		807	990	(183)	-18.48%

(*): Former Intek companies

(**): Parent.

Pending litigation

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

As for the parent, we note the following:

- As commented on in the Half-Year Report at 30 June 2012, by means of a writ of summons notified to KME Group (now INTEK Group) on 6 August 2012, some shareholders (holders of a total of 494,695 ordinary shares, equal to 0.111% of the share capital at the date of the extraordinary shareholders' meeting on 9 May 2012) challenged the decisions taken by the extraordinary shareholders' meeting of KME Group on 9 May 2012 at points 1, 2 and 3 of the agenda, and therefore also the resolution to approve the merger of Intek and KME Group, citing the latter to appear before the Court of Florence and formulating the following requests: (a) to declare as illegitimate and/or void or, in any case, to annul the decisions taken by the extraordinary shareholders' meeting of KME Group on 9 May 2012, at points 1, 2 and 3 on the agenda; (b) to declare the defendant responsible and sentence them to compensate for the damage caused to the plaintiffs should the decisions in question be implemented, or, should the declaration of nullity and/or annulment not take place, to pay for this damage in an equitable fashion.

  To support their requests, the plaintiffs set out a series of arguments essentially aimed at showing the failure to pursue the corporate interest on the part of the shareholders' meeting of KME Group, as well as the continuation of specific evasive conduct (evasion of the regulation on the right of withdrawal as set out in art. 2437 of the Civil Code). INTEK Group joined the proceedings and asked 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, which was initially planned for 26 February 2013, did not take place because the case is waiting to be assigned to another judge; at the moment the date of the next hearing has still not been communicated.

  Currently, given the initial stage of the proceedings, it is not possible to make reliable risk assessments. In any case, it is noted that the plaintiffs have not quantified the request for compensation, nor have they identified any parameter to make such a quantification.

- With the writ of summons notified to Intek on 7 August 2012, the same shareholders (who hold a total of 259,858 Intek ordinary shares, or 0.199% of the share capital at the date of the extraordinary shareholders' meeting of 9 May 2012) challenged the decisions taken by the extraordinary shareholders' meeting on 9 May 2012 on points 1, 2, 3 and 4 of the agenda, and therefore also the decision to approve the Intek/Quattrotretre merger, citing the aforementioned company to appear before the Court of Ivrea and making the following requests: (a) to declare as illegitimate and/or void or, in any case, to annul the decisions taken by the extraordinary shareholders' meeting on 9 May 2012, at points 1, 2, 3 and 4 on the agenda; (b) to declare the defendant responsible and sentence them to compensate for the damage caused to the plaintiffs should the decisions in question be implemented, or, should the declaration of nullity and/or annulment not take place, to pay for this damage in an equitable fashion.

To support their requests, the plaintiffs set out a series of arguments essentially aimed at showing the failure to pursue the corporate interest on the part of the shareholders' meeting of Intek, as well as the continuation of specific evasive conduct (evasion of the obligation of a public tender offer on the part of Quattroduedue B.V., evasion of the regulation on the right of withdrawal as set out in art. 2437 of the Civil 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.

During the first hearing, which took place on 15 January 2013, the judge postponed the hearing to 22 March 2013, in order to assess the possibility of combining the case in question with another parallel case which was before the Court of Florence and which concerned the challenge to the decision taken by the shareholders' meeting of the former KME Group on 9 May 2012.

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.

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. In any case, it is noted that the plaintiffs have not quantified the request for compensation, nor have they identified any parameter to make such a quantification.

On 15 November 2012, with the expiry of the deadline for creditors to express their opposition pursuant to article 2503 of the Civil Code and since the resolutions of the shareholders' meetings of Intek and KME of 9 May 2012 were fully effective, merger documents were signed relating to the Intek/Quattrotretre merger and to the Intek/KME merger, which were deposited in the relevant companies registers pursuant to article 2504, para. 2, of the Civil Code.

It should be noted that article 2504-quater of the Civil Code specifies the following: "1. Once the registrations of the merger have been carried out in accordance with para. 2 of art. 2504, the merger cannot be ruled invalid. 2. There is no prejudice to the right for compensation for damage which may be due to shareholders or third parties damaged by the merger."

INTEK Group, on the basis of the corporate interest being pursued with the corporate reorganisation, believes that all the requests made by the respective minority shareholders are unjustified and that, therefore, the remaining requests for compensation for damages (which has not been quantified in the writs) will not be accepted. Moreover, should these shareholders insist in their claim for compensation and should such a claim should be accepted, INTEK Group believes that meeting the requests would not have a significant prejudicial impact on the company's financial position.

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 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 aforementioned companies therefore went to the Court of Appeal; this request was rejected and the KME Group companies involved therefore made an appeal to the Supreme Court of the United Kingdom in October;

- In late July, the attorneys of the companies IMI plc and IMI Kynoch sent pre-action correspondence to KME Yorkshire Limited as well as to KME AG, KME Italy S.p.A. and KME France SAS; this correspondence consisted in a letter in which they informed these companies of their intention to summon them as jointly liable co-debtors in the legal proceedings initiated in the UK by certain companies of the Travis Perkins Group against IMI plc, IMI Kynoch and Boliden AB, in their capacity as manufacturer of plumbing and sanitary tubes, in relation to the breach of EU anti-trust regulations. In October, 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, 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 contingent 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 prior year costs which are greater than forecast and which may have a negative impact on the financial position of the INTEK Group.

* * *

In reference to the business of the merged company Intek, the main ongoing disputes and cases are summarised below.

In reference to the two disputes involving Intek and arising from previous disposals of assets, there were no developments in the dispute relating to Deloro Stellite (provision for risks of Euro 1.3 million). As for the dispute with Seves (provision for risks of Euro 0.5 million), in the first few days of August 2012 the latter started an arbitration process in which Intek was also required to appear. In October 2012 an out of court agreement was reached with a total cost for Intek of Euro 0.7 million.

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. During 2012, on the other hand, there was a positive conclusion to the disputes relating to 1988, 1990 and 1993, again for undue detraction of VAT and for which provisions for risks were recorded in the balance sheet for Euro 1.5 million. During 2012 the other provisions linked to the business of the former Fime were adjusted in regard to transactions linked to the previous management in liquidation (with a positive effect of Euro 3.5 million) and disputes with customers (with a negative effect of Euro 0.4 million).

Again in reference to the dispute, there was a successful conclusion to the revocatory action relating to the business of Fime, with a gain of approximately Euro 1.2 million.

In January 2012 the subsidiary FEB received a credit claim from 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 composition with creditors after bankruptcy 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 which 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 will appear before the Court and strongly contest SGA's claims, in the belief that it acted correctly in its treatment of the conditional receivable being challenged and of the related accessories, 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.

A settlement agreement is currently being formalised with a former consultant of FEB which in the past had indemnified previous directors in regard to the dispute with the consultant. The agreement envisages the recognition of an amount of Euro 1.4 million to the consultant against provisions that have already been set aside for Euro 3.0 million.

* * *

Parent and ownership arrangements

The company is controlled by Quattroduedue Holding B.V. which is based in Amsterdam (Holland), Kabelweg 37, through Quattroduedue spa, a wholly owned subsidiary of the aforementioned Quattroduedue Holding BV. At 31 December 2012 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

Intek Group employees at 31 December 2012, including those from the merger of Intek SpA, numbered 12, of which 3 were executives and 9 clerical.

In reference to the Group, employees at 31 December 2012 totalled 5,991, while they numbered 6,249 at 31 December 2011 (6,276 including the employees of the Intek Group).

The average number, compared with 2011, was as follows:

	2012	2011
Blue-collar workers	4,372	4,600
Executives and clerical	1,739	1,776
Total	6,111	6,376

* * *

As for the economic treatment and all other remuneration aspects of key managers, 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 2012 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 the wholly owned subsidiary KME Partecipazioni held 2,512,024 Intek Group savings shares, 5.013% of the relevant share capital.

* * *

It is noted that the company's Board of Directors, at its meeting on 14 September 2012, decided, among other things, to make use of the exception, envisaged by articles 70, para. VIII, and 71-bis of the Issue 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.

Principal risks and uncertainties to which INTEK Group S.p.A. and the subsidiaries are exposed.

<u>Risks relating to the general economic environment</u>

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 context, 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 structural actions which started some time ago have continued and aim to achieve a more efficient manufacturing set-up, a more focussed organisation and optimisation of invested capital. Should the marked weakness and uncertainty of the general economy continue for a significant period, the Group's activities, strategies and prospects could be negatively affected with a consequent impact on its financial situation.

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 overcapacity 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 search for efficiencies, 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 is approximately 85% of the raw materials used, creates market uncertainty and tensions so that customers defer purchases 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 borrowings and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the extension of credit lines as well as through revenues arising from disposal 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 difficult environment, the Group intends to maintain sufficient operating cash flow generation capacity through measures designed to control the level of working capital, in particular, cash needs arising from raw materials inventories.

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 bring to light 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.

Subsequent events

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

Proposal to approve the 2012 financial statements and cover the loss for the year

Dear Shareholders,

At their Ordinary General Meeting held on 30 April 2013 at the Company's registered offices at Via Filodrammatici, 3, Milan, INTEK Group S.p.A.'s Shareholders, acknowledging the reports of the Board of Statutory Auditors and the Independent Auditors

resolve

a) to approve the Director's Report at 31 December 2012 and the financial statements as a whole, and its individual entries and records with the provisions and uses proposed, which show a loss of Euro 18,382,168;

b) to cover the loss of the year of Euro 18,382,168 by using the following reserves:
   - Euro 3,336,965 from the Reserve for goodwill arising on de-merger;
   - Euro 7,891,571 from the Reserve for negative goodwill and
   - for the remaining amount of Euro 7,153,632 from the Extraordinary Reserve which, consequently, falls from Euro 22,580,934 to Euro 15,427,302

Milan, 27 March 2013

Board of Directors (signed on the original)
The Chairman
(Vincenzo Manes)

INTEK GROUP

Report on Corporate Governance, shareholding structure and application of the "Code of Conduct"
pursuant to article 123 *bis* of Legislative Decree 58 of 24 February 1998
(approved by the Board of Directors on 27 March 2013)

YEAR 2012

www.itkgroup.it

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Report on “Corporate Governance” and ownership structure pursuant to article 123 *bis* of Legislative Decree 58 of 24 February 1998 and on the “Corporate Governance Code”

Dear Shareholders,

Foreword

We consider it appropriate to introduce a general foreword since during 2012 several “events” which had significant impacts on corporate governance took place.

The first transaction to be noted is the merger of iNTEk S.p.A. into KME Group S.p.A. (hereinafter the “Merger”), a complex transaction which began on 27 January 2012 when the Boards of Directors of both companies approved the merger to the extent of their relative competences.

The merger was then submitted to the Extraordinary Shareholders’ Meetings on 9 May 2012 and it became effective on 30 November 2012

On that date, the Company took on its new name INTEK Group S.p.A. (hereinafter “INTEK Group” or the “Company”) and therefore, following amendment of the articles of association adopted by the Board of Directors on 19 December 2012 which became effective on 7 January 2013, the registered office was transferred from Florence to Milan, Foro Buonaparte n. 44.

For more information on the Merger, please see the “Information Document” as subsequently amended (prepared pursuant to article 70, paragraph VI, and articles 34-*ter*, paragraph I, letter k) and 57, paragraph I, letter d) and paragraph III of the CONSOB regulation no.11971 of 14 May 1999, hereinafter the “Issuers’ Regulation”), which became available in April and November 2012, respectively.

Prior to the Merger, the company also made a Public Exchange Offer pursuant to article 106 of Legislative Decree no. 58 of 24 February 1998 (hereinafter the “TUF”) of a maximum of 254,864,150 Company ordinary shares for the issue of a maximum of 254,864,115 “INTEK Group S.p.A. 2012-2017 participatory debt financial instruments” (hereinafter “PFI”).

For more information on the Offer, please see the “Offer Document” (prepared pursuant to article 102 of the TUF), which became available in June 2012.

To complete the information, it is reminded that the Merger was preceded by the merger of Quattrotretre S.p.A. into iNTEk S.p.A (hereinafter the “INTEK Merger”), a transaction which was announced in the aforementioned documents as well as in the specific “Information Document” prepared by iNTEk S.p.A., which is available on the company’s website.

This merger was in turn preceded by a Public Exchange Offer launched by iNTEk S.p.A. pursuant to article 102 of the TUF on a maximum of 64,775,524 Company ordinary shares for the issue of a maximum of 64,775,524 "iNTEk S.p.A.2012-2017 bonds" (hereinafter the "Bonds").

For more information on this additional offer, please see the "Offer Document" (prepared pursuant to article 102 of the TUF), which also became available in June 2012.

The "Information Document", as subsequently amended, as well as both "Offer Documents" for the PFI and the Bonds, are available in the specific section of the company's website together with the corporate documentation, notices and press releases which, during the year, were made available to the shareholders of both companies and to the market.

A summary of the description of the aforementioned transactions is provided below.

Furthermore, during 2012 the terms of office of both the Board of Directors and the Board of Statutory Auditors came to an end and additional events occurred which required, at the time of the approval of the Half Year Report as at 30 June (which was made available on 11 August), updates regarding the amendments which took place by 3 August, the date of its approval.

On 18 August the Chairman of the Board of Directors Mr. Salvatore Orlando unexpectedly passed away.

Since the overall procedure for extraordinary transactions was concluded at the end of 2012, in order to optimise its calendar of corporate events in 2013 the Board of Directors decided to add to the annual Ordinary Shareholders' Meeting for the approval of the financial statements for 2012 also the appointment of the Board of Directors and the Board of Statutory Auditors and the call of the holders of PFIs and Bonds.

1. Regulatory environment

This Report (hereinafter the "Report") was prepared pursuant to article 123 *bis* of the Consolidated Law on Finance (hereinafter the "TUF") and aims to provide the information required regarding the structures, organisation and operation of the Company in compliance with the obligations set forth in article 89 *bis* of the Issuers' Regulation.

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 individual Reports are available on the website www.itkgroup.it within the financial statements of the respective years. Starting with the Report for the year ended 31 December 2006, the Reports are also available in a specific section of the website.

For the ease of reading and comparison, the Report is divided into two parts, four sections and five tables and is an integral part of the Directors' Report at 31 December 2012. In addition, it has been prepared in compliance with the indications given in the "Corporate Governance Code" provided by Borsa Italiana S.p.A. (hereafter the "Corporate Governance Code" or the "Code" in its version of March 2006) which the Company declared to adopt. The purpose of the Report is to describe the extent of the Company's compliance with the Code during the year ended 31 December 2012 by giving the reasons for any departures from the Code and describing the action already taken and action planned to implement it.

It should be noted that the Corporate Governance Code was substantially revised in December 2011, with its recommendations made "simpler" by reducing them to 10 from the previous 12 in the 2006 Code, and by updating the contents to reflect the many regulatory changes that made certain sections obsolete (hereinafter the "New Code").

The provisions of the New Code entered into force in 2012 and we will provide below information about the amendments made; the references to articles of the Code naturally refer to the new text.

We also hereby inform you that, as from last year the section of the Report that has traditionally been devoted to the remuneration of Directors and Executives with strategic responsibilities, can now be found under a specific, separate "Report on Remuneration" drawn up in compliance with CONSOB provisions to which reference should be made.

Certain changes to the corporate governance were introduced in 2011, such as:

- the introduction into the system of the "shareholders' rights directive" provisions, which entail adopting a series of changes to the Shareholders' Meeting;
- implementation of the EU Directive on auditing, in accordance with which the Board of Statutory Auditors also acts as "Internal Control and Audit Committee", with supervisory functions on financial disclosures, internal control systems, risk management and auditing;
- the full entry into force of the CONSOB provisions on transactions with "related parties".

The Company has adopted the new provisions by adapting the Articles of Association during the Shareholders' Meeting held on 28 April 2011 and adopting a new procedure on transactions with related party at the end of 2010. Additional amendments to the articles of association were adopted in 2012 as part of the merger and issue of the "INTEK Group S.p.A. 2012-2017 security-related participatory debt financial instruments" and the convertible bond named "Convertible INTEK Group S.p.A. 2012-2017 bond" – article 4 Capital.

Due to the number of references made to the Company Articles of Association, a copy has been attached to the end of the Report, and they are also available on the website www.itkgroup.it.

A number of changes have been introduced to corporate governance over the years which, in 2008, entailed a transitional phase. Such regulations came into full force during the year ended 31 December 2009.

In compliance with article 123 *bis* of the TUF, CONSOB amended article 89 *bis* of its Regulation 11971 of 14 May 1999 (hereinafter the "Issuers' Regulation") in 2009, by requiring listed companies to disclose on an annual basis information on corporate governance, ownership structure and the adoption, where applicable, of a Corporate Governance Code.

CONSOB also required that this information either be included in its entirety in the Directors' Report or in a separate report and be made available in a specific section of the Company's website.
Pursuant to the abovementioned provisions, the Report was added as an integral part of the Directors' Report and financial statements for the year ended 31 December 2012. Furthermore, it is available in the relevant section on the website www.itkgroup.it.

As noted above, the section of the Report that has traditionally been devoted to the remuneration of Directors and Executives with strategic responsibilities, can now be found under a specific, separate "Report on Remuneration".

The Report takes into account the provisions of the IV edition of the "Experimental format for the Report on Corporate Governance" that Borsa Italiana S.p.A. disclosed to issuers in January 2013. As specified by Borsa Italiana S.p.A., the report is not binding and functions as an instrument aimed at assisting issuers in preparing and checking the report pursuant to article 123 *bis* of the TUF, and for the controls to be carried out by the Board of Statutory Auditors. The tables at the end of the Report have also been prepared and updated in compliance with it. As usual, the corresponding indications provided by ASSONIME were also taken into account.

During 2011, "gender quota" provisions were introduced into the TUF in 2011 applicable to management and control bodies. These provisions had already entered into effect in August 2011 but will be applied to bodies that are up for change starting from August 2012. To this end, it is noted that the Board of Directors and the Board of Statutory Auditors for the period 2012/2014 were appointed during the Shareholders' Meeting held on 28 June 2012.

Legislation was put in place in the first few months of 2012 aimed at "correcting" certain provisions of the TUF regarding the protection of Shareholders' rights, which resulted in Legislative Decree 91 of 18 June 2012, which was subsequently amended by Legislative Decree of 5 July 2012. These amendments became partially effective on 12 July 2012 while others were applicable to Shareholders' Meetings for which convocation was published after 1 January 2013.

2. Company 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 S.p.A. (hereinafter "iNTEk") into INTEK Group S.p.A., which was concluded on 22 March 2010 and the merger of Drive Rent S.p.A. into COBRA Automotive Technologies S.p.A., 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 companies, among the others:

- ErgyCapital S.p.A. (renewable energy);
- COBRA Automotive Technologies S.p.A. (services);

said equity investments are concentrated in the wholly owned company KME Partecipazioni S.p.A. and their performance is fully described in the Directors' Report.

The 2012 Merger completed this project.

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.

The corporate governance structure of other group companies, however, is different from Germany's largest industrial company, which has a structure fully in line with German practice that entails a two-tier management structure consisting of a Supervisory Board (*Aufsichtsrat*) and a Management Board (*Vorstand*).

2.1 Shareholders' agreements of investee companies

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 S.p.A. (which replaced INTEK Group S.p.A.) and Aledia S.p.A. (hereinafter "Aledia"), which is significant pursuant to article 122 of the TUF, on the ordinary shares of the investee ErgyCapital S.p.A. and which had originally been concluded on 10 December 2007 between iNTEk S.p.A. 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 S.p.A. in 2011.

The agreement contains clauses relating to a consultation agreement, a voting poll, agreements setting limits to the transfer of financial instruments and producing the joint exercise of dominant influence as per article 122, paragraphs 1 and 5, letters a), b) and d), of the TUF. CONSOB was notified of the agreements, which were filed with the Rome Companies Register.

This agreement covers 39,328,835 ordinary shares of ErgyCapital S.p.A., or 41.47% of the share capital, of which 25,412,895 shares, or 26.80% of the share capital, are held through KME Partecipazioni S.r.l. and 13,915,940 shares, or 14.67% of the share capital, by Aledia.

By virtue of the shareholders' agreement, KME Partecipazioni S.p.A. 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.

In 2011 there was a merger between Drive Rent S.p.A. and Cobra Automotive Technologies S.p.A., 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 capital increase of Cobra Automotive Technologies S.p.A., which was concluded in January 2012.

A "shareholders' agreement" was signed between the Company and the other major shareholder of Cobra Automotive Technologies S.p.A., Cobra Automotive Technologies S.A., which is considered to be significant in accordance with article 122 of the TUF, and which furthers the objectives pursued with the merger, i.e. to improve conditions so that the potential to develop and enhance the value of Cobra Automotive Technologies S.p.A. can be maximised. CONSOB was notified of the agreements, which were filed with the Varese Companies Register.

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

3. First part: ownership structure

3.1 Share capital structure

The share capital as at 31 December 2012, as subsequently changed following the merger with iNTEk S.p.A., 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 became effective at 23.59 hours on 30 November 2012 and resulted in the issue of 21,624,983 ordinary shares and 6,546,233 savings shares for a total value of Euro 17,184,441.76, attributable to the Shareholders of iNTEk S.p.A. at a ratio of 1.15 INTEK Group S.p.A. ordinary shares/saving shares of for each iNTEk S.p.A. ordinary share/savings share to be exchanged.

Both categories are listed on the M.T.A.

Furthermore, again as a consequence of the merger with iNTEk S.p.A., the savings shares are in turn divided into two 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 is connected to the different right to dividends prior to the Merger to which they are entitled, as specified in article 8 of the articles of association (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.

The shares will maintain two separate pricing lines up to the date on which the Board of Directors will resolve on the distribution of a dividend for the year ended last 31 December.

During 2012, the share capital also changed as a result of the Public Exchange Offer discussed in the foreword which resulted in the issue, pursuant to the combined provision of articles 2346, paragraph VI and 2351 paragraph V of the Italian Civil Code, of 115,863,263 "INTEK Group S.p.A. 2012-2017 participatory debt financial instruments" against the cancellation of corresponding 115,863,263 ordinary shares and further 7,602,700 ordinary shares already owned by the Company, totalling 123,465,963 ordinary shares and 135,831 savings shares, also owned by the Company, without any reduction in the share capital value.

The characteristics of the PFIs are the following:

- par value of Euro 0.42 for a total value 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 articles of association list the characteristics of the PFI 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 III of the TUF (article 26 *quinquies* – Administrative rights);
- the right to appoint a Common Representative (article 26 *sexies – PFI Meeting)*.

This transaction, too was performed as part of the Merger and was resolved by the extraordinary Shareholders' Meeting held on 9 May 2012; it was concluded on 12 December 2012.

Prior to the merger, INTEK Group S.p.A. had indeed made a Global Public Exchange Offer (hereinafter the "iNTEK Offer") for a maximum of 254,864,115 Company ordinary shares. The consideration consisted of a maximum of 254,864,115 PFIs.

At the end of the Offer period (which ended on 12 December 2012 and was divided into two parts: the first was a "voluntary offer" and the second a "mandatory offer"), a total of 115,863,263 ordinary shares were subscribed.

Since at the conclusion of the Offer, Quattroduedue Holding B.V., through its subsidiaries Quattrotretre S.p.A. and iNTEk S.p.A., held an equity investment of 57.083% which was therefore less than 90% of the share capital subscribed and paid in of INTEK Group S.p.A., the requirements for application of the commitment to squeeze-out pursuant to article 108, paragraphs I and II of the TUF were not fulfilled.

As part of the Merger and as indicated in the Foreword, 22,655,247 bonds from the bond loan named "INTEK Group S.p.A. 2012-2017 bonds" were also issued.

The 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.

Prior to the Merger, iNTEk S.p.A. had indeed made a Global Voluntary Public Exchange Offer (hereinafter the "iNTEk Offer") for a maximum of 64,775,524 Company's ordinary shares, equal to 49.666% of its ordinary share capital. The consideration consisted of a maximum of 64,775,524 Bonds.

At the end of the iNTEk Offer period (10 August 2012), as specified above, a total of 22,655,247 ordinary shares were subscribed, equal to 17.922 of the ordinary shares and 34.975% of the ordinary shares object of the iNTEk Offer, for a total value of Euro 11,327,623.50.

Since at the conclusion of the iNTEk Offer, iNTEk S.p.A., together with Quattroduedue Holding B.V., held an equity investment lower than 90% of the share capital subscribed and paid in of INTEK S.p.A., the requirements for application of the commitment to squeeze-out pursuant to article 108, paragraphs I and II of the TUF were not fulfilled.

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 Articles of Association.

Each share carries unrestricted voting rights unless otherwise provided by the law. Votes may be cast by mail in accordance with the procedure pursuant to article 11 of the Articles of Association.

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 Articles of Association.

To this end, it should be noted the information provided above on the right to a prior dividend and the two different existing pricing lines.

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 Articles of Association. Their Common Representative, who can take part and has the right to intervene in General Meetings of Holders of ordinary shares and whose rights are provided under article 27 of the Articles of Association, is Pietro Greco, appointed for the 2012/2014 period by the Special Meeting of Holders of Savings Shares held on 27 June 2012.

Tanking into account the distinction between the savings shares issued prior and following the Merger, savings shares entail the following preferential rights:

- 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 second share capital increase in one or more tranches for a maximum amount of Euro 15 million, including any premium, 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 sentence of article 2441, paragraph IV 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 S.p.A. (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 any 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 S.p.A. Stock Option Plan" (hereinafter the "Plan") replaces the previous plan, which was amended in 2006, which, in light of the Group's new corporate/organisational structure, was withdrawn at the same time; further details on the Plan are given in the Report on Remuneration and in the "Information Report" which was prepared at the time and is available on the Company's website.

The share capital 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 S.p.A. 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, letter b, second sentence, 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 S.p.A. 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, letter b, second sentence, of the Italian Civil Code.

As required by the aforementioned provision, the independent auditors, KPMG S.p.A., 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 S.p.A. (hereinafter "Quattrotretre") issued a mandatory convertible bond, the subscription of which was entirely reserved for the controlling shareholder Quattroduedue S.p.A., named "*Convertendo Quattrotretre S.p.A. 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 maturity 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 Quattrotretre shares with a par value of Euro 1.00 each, with a conversion ratio of 255 conversion shares for each convertible bond, without prejudice to the repayment option as described below;

- in view of the convertible bond, Quattrotretre has resolved to increase the 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;

- Quattrotretre 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 Quattrotretre will pay the Bondholder Euro 8,001.00 for each convertible bond (*repayment price*), for a total value of Euro 32,004,000.00.

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

Regarding the above, as noted in the press release of 28 March 2012, iNTEk S.p.A. and INTEK Group acknowledged receiving the notice from Quattroduedue S.p.A. – as the owner of the total convertible bonds – with which the latter declared its commitment, in the event of conclusion of the Intek Merger and as it may be necessary, the Merger, to provide to the non-controlling Shareholders of iNTEk S.p.A. and, as may be necessary, of INTEK Group, the opportunities offered by the convertible bond both in the case of a conversion into shares and the exercise of the repayment option.

The INTEK Merger was effective from 23.58 hours on 30 November 2012 and, consequently, iNTEk S.p.A. replaced Quattrotretre as the issuer of the convertible bond. In application of the exchange ratio applied to the INTEK Merger of 1 Quattrotretre S.p.A. share for each 27.49 iNTEk S.p.A. ordinary shares, iNTEk S.p.A. took on the obligation to issue up to a maximum of 24,741,000 ordinary shares in favour of Quattroduedue S.p.A. 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 hours on 30 November 2012), in application of the exchange ratio of 1.15 KME Group S.p.A. shares for each iNTEk S.p.A. ordinary share, a total of 28,452,150 new ordinary INTEK Group S.p.A. shares were reserved to Quattroduedue S.p.A., for a maximum value of Euro 32,004,000.00 (including the share premium) to be executed by 24 September 2017.

To this end, near the expiry date of the convertible bond or following the exercise of the *repayment option* by INTEK Group, Quattroduedue will disclose to the market the technical terms and conditions with which the non-controlling Shareholders of INTEK Group will be able to participate in the opportunities offered by the convertible bond depending on their investment in the share capital of INTEK Group on the relative reference date.

For more details, please see the Information Documents (as subsequently amended) mentioned in the Foreword.

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, which was significantly influenced in 2012 by the corporate transactions concluded during the period.

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 OWNERSHIP STRUCTURE AND ON FINANCIAL INSTRUMENTS

OWNERSHIP STRUCTURE			
	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	43,563,585	11.01
Bearer savings shares Registered savings shares	IT0004867930 IT0004867948	6,546,233	1.66

OTHER FINANCIAL INSTRUMENTS		
	ISIN code	outstanding instruments
Intek Group S.p.A. 2012-2017 participatory debt financial instruments	IT0004821846	115,863,263
Intek Group S.p.A. 2012-2017 bonds	IT0004821689	22,655,247

TABLE 2: PERFORMANCE OF SECURITIES IN 2012

Investor Relations

Tel.: 02-806291; 055-44111

Fax: 055-4411681

E-mail: info@kme.com

Website: www.itkgroup.it

INTEK Group S.p.A. has been listed on the Stock Exchange since 1897.
During the year ended 31 December 2012, INTEK Group securities underwent the following changes:

- **the INTEK Group's ordinary share** reached a maximum value of Euro **0.388** in August and a minimum value of Euro **0.277** in June;

- **the INTEK Group's savings share** reached a maximum value of Euro **0.590** in March and a minimum value of Euro **0.269** in June;

- **the INTEK Group's T savings share** reached a maximum value of Euro **0.398** and a minimum value of Euro **0.368** in December;

- **the INTEK Group's 2012-2017 Bonds** reached a maximum value of Euro **105.00** in December and a minimum value of Euro **79.99** in August (5).

- **the INTEK Group's 2012-2017 PFI** reached a maximum value of Euro **104.70** in December and a minimum value of Euro **80.21** in August (5).

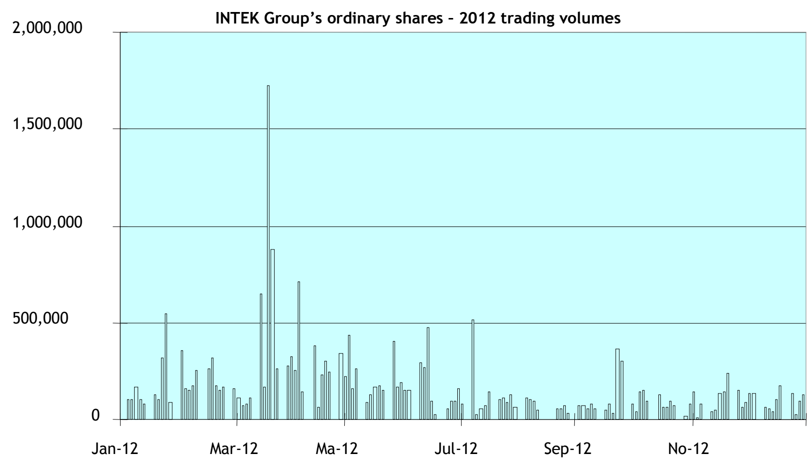
(in Euro) – After INTEK S.p.A. merger – KME Group S.p.A.	
No. of ordinary shares	345,506,670
No. of savings shares	43,563,585
No. of T savings shares	6,546,233
Share capital	314,225,009.80
No of INTEK Group S.p.A. 2012-2017 Bonds	22,655,247
No of INTEK Group S.p.A. 2012-2017 PFIs	115,863,263
Listed price (at the end of 2012)	
INTEK Group's ordinary shares	0.332
INTEK Group's savings shares	0.351
INTEK Group's T savings shares	0.390
No of INTEK Group S.p.A. 2012-2017 Bonds	106.00
No of INTEK Group S.p.A. 2012-2017 PFIs	104.30
(Amounts in Euro – capitalisation at the end of 2012)	
Capitalisation of ordinary shares	114,708,214
Capitalisation of savings shares	17,643,849
Capitalisation	**132,552,064**
Shareholders	
Number of ordinary shareholders	**11,700**
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 S.p.A.
(3) – As a subject indirectly controlling Arbus S.r.l., INTEK Group S.p.A.'s direct shareholder.

Dividend per share (amounts in Euro)	**2010**	**2011**
Dividend per ordinary share	0.0110	0.00
Dividend per savings share	0.07241	0.00

Stock Exchange prices (in Euro)	**End 2011**	**End 2012**	**Change**
INTEK Group's ord. shares	0.306	0.332	8.5%
INTEK Group's sav. shares	0.479	0.351	-26.7%
INTEK Group's T savings shares	0.368 (4)	0.390	6.0%
INTEK Group S.p.A. 2012-2017 Bonds	82.000 (5)	105.000	28.0%
INTEK Group S.p.A. 2012-2017 PFIs	80.210	104.300	30.0%
FTSE Italia All Share	15,850	17,175	6.4%

(4) – Prices after INTEK S.p.A. merger – KME Group S.p.A. starting from 4 December 2012.
(5) – Prices after the Public Exchange Offer starting from 6 August 2012 (% amounts).



3.2 Restrictions on the transfer of securities

The articles of Association set no restrictions on the transfer of shares, “Intek Group S.p.A. 2012-2017 participatory debt financial instruments” or “Intek Group S.p.A. 2012-2017 bonds.”

3.3 Significant equity investments

As at 30 November 2012, the effective date of the merger with iNTEk S.p.A., the investment in Quattroduedue Holding B.V. amounted to 158,067,506 ordinary shares, which correspond to 45.749% of the share capital for this category, 158,067,500 ordinary shares being held through its 100% owned subsidiary Quattroduedue S.p.A. The remaining 6 ordinary shares, which obviously do not influence the percentage above, are directly owned by Quattroduedue Holding B.V.

The total Quattroduedue Holding B.V. equity investment is 39.965% compared to the entire share capital.

As per the disclosure of 14 September 2012, the content of which was published in the press release of 15 September 2012 and filed with the Companies Registers of Turin and Florence, the shareholders of Quattroduedue Holding B.V. are Vincenzo Manes, through Mapa S.r.L. (Milan), with an equity investment of 35.12%, Ruggero Magnoni, through Likipi Holding S.A. (Luxembourg), with an equity investment of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg) with an equity investment of 32.44%. None of the shareholders, all of whom are parties to a shareholders’ agreement, controls the Company 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 4.84%.

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 VII and VIII 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.

3.4 Securities with special control rights

No securities have been issued conferring special control rights.

3.5 Employee share scheme, mechanism for the exercise of voting rights

There is no employee share scheme.

3.6 Restrictions on voting rights

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

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

Furthermore, article 27 of the Articles of Association 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.

3.7 Shareholders' agreements

The Company has not been informed of the existence of any shareholders' agreements as per article 122 of the TUF, except as indicated above on Quattroduedue Holding B.V.

3.8 Change of control clauses

Neither the Company nor its subsidiaries has 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 Articles of Association 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.

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

The Board of Directors has not been authorised pursuant to article 2443 of the Italian Civil Code to issue financial instruments, with the sole exception of the already mentioned power attributed to Directors at the Extraordinary Shareholders' Meeting of 2 December 2009 to increase share capital within 5 years from the date of the Meeting up to Euro 15 million for the issue of a maximum of 31,000,000 ordinary shares, without option rights pursuant to article 2441, paragraph 4, second sentence, of the Italian Civil Code in view of a Stock Option Plan for Executive Directors and Managers of the Company and of the Group as approved in the ordinary session of the same Meeting. Said power has been partially exercised as reported in the paragraph 3.1 above.

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

The Shareholders' Meeting held on 28 April 2011 authorised the Board of Directors pursuant to the combined provision of articles 2357 and 2357 ter of the Italian Civil Code and article 132 of Legislative Decree 58/98 to purchase ordinary and savings treasury shares. This authorisation expired at the end of last October.

The Shareholders' Meeting will be called to resolve on the approval of the financial statements for the year ended 31 December 2012 and will also grant a new authorisation to the Directors for the purchase and sale of treasury shares.

From 26 February 2009, no purchases of treasury, ordinary or savings shares took place when the authorisations granted by the Shareholders' Meeting were in effect.

On the contrary, within the scope of the Merger, ordinary and savings shares of the merged company iNTEk S.p.A. were purchased as indicated below and, on 31 December 2012, these amounted to 6,230,691 ordinary shares (1.803% of the total for the category and 1.575% of the total share capital) and 3,490,567 savings shares (6.966% of the total for the category and 0.882% of the total capital) including the shares of the same category held by the subsidiary KME Partecipazioni S.p.A. as indicated below. The total 9,721,258 treasury shares held represent 2.457% of the total share capital.

Ownership of all the aforementioned ordinary shares, as well as 978,543 (1.952% of the category) savings shares, results from the exercise of the withdrawal right granted to the Shareholders of iNTEk S.p.A. during the Merger, which was exercised for a total of 5,450,505 ordinary shares and 871,930 savings shares.

Such shares were offered as an option to the Shareholders of iNTEk S.p.A. pursuant to article 2437 *quater* of the Italian Civil Code, with 32,512 ordinary shares and 21,023 savings shares assigned, which therefore shall be deducted from those for which the withdrawal right was exercised and which were reduced to 5,417,993 and 850,907 ordinary and savings shares, respectively.

All the aforementioned shares were therefore purchased by INTEK Group S.p.A. on the effective date of the Merger, pursuant to the decision not to place them on the market, which was made by the Board of Directors of iNTEk S.p.A. on 13 November 2012.

Conversely, the balance of 2,512,024 saving shares (5.013% of the category) results from the application, during the Merger, of the swap ratio on 2,184,369 iNTEk S.p.A. savings shares, which were already held by KME Partecipazioni S.p.A. as at 31 December 2011.

None of the other subsidiaries holds INTEK Group S.p.A. shares.

3.10 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 "Regulation on Markets"), as:

a. it has autonomous powers of negotiation with respect to relations 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 S.p.A.;
c. the number of Independent Directors (3 out of 9) 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 Regulation on Markets.

4. Second part: Information on corporate governance

4.1 Compliance

It was declared during the Board of Directors' Meeting of 10 November 2006 that the Company had adopted the Corporate Governance Code and that its standards would be gradually introduced throughout the Company. If the standards and application criteria of the Code have not been 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 S.p.A. 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.

As already mentioned, in December 2011 the Corporate Governance Code underwent a significant review and this report will inform you on the amendments introduced.

In accordance with the new provisions on remuneration, payments made to Directors, General Managers, Executives with strategic responsibilities and the Board of Statutory Auditors, and any of their equity investments are no longer included in this Report, but are contained in the "Report on Remuneration" using the tables prepared by CONSOB.

More specifically:

- the information required by article 123-*bis*, first paragraph, letter i) *("agreements between companies and directors ………. which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid")* are contained in the Report on Remuneration;
- the information required by article 123-*bis*, first paragraph, letter l) *("rules applying to the appointment and replacement of directors …… and to amendments to the articles of association if different from those applied as a supplementary measure")* are illustrated in the section of this Report dedicated to the Board of Directors.

4.2 Board of Directors

4.2.1 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 Articles of Association (article 17) as are the procedures for their amendment. 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 Articles of Association). 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 current Board of Directors was appointed during the Shareholders’ Meeting of 28 June 2012 for 2012, 2013 and 2014, and their appointment terminates on the date of the Shareholders’ Meeting held to approve the financial statements as at 31 December 2014.

The aforementioned Shareholders’ Meeting set the number at ten, thereby decreasing by two individuals compared to the previous Board; additional details are provided in the subsequent paragraph “Composition of the Board of Directors”.

The list of candidates for the office of Director was presented on time by the then controlling Shareholder, Quattrotretre S.p.A. (holding 29.66% of ordinary capital) in compliance with the procedure required by article 17 of the Company Articles of Association. 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.

The procedure pursuant to article 17 of the Articles of Association 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 S.p.A.;
- the shareholding percentage for the presentation of lists is equal to the highest percentage provided by the applicable provisions, which on the date of appointment of the corporate bodies was 4.5% of the ordinary share capital and was then decreased by 2.5% as per CONSOB 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 Articles of Association 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.

It is hereby specified that holders of PFIs have the right to appoint a member of the Board of Directors, who shall possess the prerequisite for independence pursuant to article 148, paragraph III of the TUF (article 26 *quinquies* of the Articles of Association – Administrative Rights).

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

4.2.2 Composition of the Board of Directors

The names of the members of the Board of Directors are given below together with a description of their offices, including those within internal Committees, and a brief *curriculum vitae*. Such information is also available in a dedicated section of the website www.itkgroup.it.

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.

Moreover, there has been one single female representative on a continuous basis since 2005, who became Vice-Chairwoman during 2010. This presence is furthermore ensured also in the Board of Statutory Auditors with a Standing Auditor who was appointed when corporate offices were changed in 2012.

The names of Directors usually appear at the beginning of the documents prepared for Shareholders’ Meetings and in the annual and half-year financial statements.

It is hereby recalled that on 18 August 2012 the Chairman of the Board of Directors Salvatore Orlando passed away unexpectedly. In his place, effective from 14 September 2012, the Board of Directors appointed Vincenzo Manes, the Deputy Chairman of the Company, as the Chairman.

Bearing in mind that the current Board of Directors was appointed by the Shareholders' Meeting held on 28 June 2012 for 2012, 2013 and 2014, the information on all the Directors in office during 2012 is provided below.

Salvatore Orlando (Chairman until 18 August 2012)

Salvatore Orlando was born in 1957 and passed away on 18 August 2012. He graduated in Political Science and joined the Group as a manager in 1984. He subsequently became a member of the Boards of Directors of the major industrial Companies of the Group; he had been a Director of the Company since 24 April 1991 and of iNTEk S.p.A. since 2007.

Vincenzo Manes (Deputy Chairman and subsequently Chairman from 14 September 2012)

Vincenzo Manes was born in 1960 and holds a degree in Business Administration. He is the Chairman of iNTEk S.p.A. and a Shareholder of Quattroduedue Holding B.V. in addition to being the Chairman of Aeroporto di Firenze S.p.A.

He joined the Board of Directors of INTEK Group S.p.A. on 14 February 2005 and was the Chairman and Managing Director of iNTEk S.p.A. until the date of the Merger.

Diva Moriani (Deputy Chairwoman)

Diva Moriani holds a degree in Business Administration and joined iNTEk S.p.A. in 1999. She was appointed as Director of this company in 2002 and then became its Deputy Chairwoman in 2007; she has been a Director of I2 Capital Partners SGR S.p.A. and the Chairwoman of ErgyCapital S.p.A. since 2011. On 28 June 2012, the Company Board of Directors confirmed her appointment as the Deputy Chairwoman, office she held for the first time in 2010, conferring ordinary and extraordinary management powers to her. She joined the Board of Directors on 27 April 2005.

Riccardo Garrè (Director and General Manager)

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.

On 22 March 2011 he was co-opted as a Company Director, pursuant to article 2386 of the Italian Civil Code, and as General Manager. He took over the copper sector industrial business as the CEO (Chief Executive Officer) of KME A.G. The Shareholders' Meeting of 28 April 2011 confirmed his office as Director and the Board of Directors' Meeting held on the same day confirmed his position as General Manager; both offices were then confirmed at the time of the 2012 renewal.

Italo Romano (Director and General Manager)
Italo Romano was born in 1958 and holds a degree in Business Administration. 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 S.p.A., and he later became the Executive Deputy Chairman of this company. He also joined the *Vorstand* of KME A.G. and was appointed as CFO (Chief Financial Officer) of INTEK Group S.p.A. in the same year. He was appointed as Director by the Shareholders' Meeting resolution of 3 August 2007 and, on the same date, he was appointed as General Manager; both these offices were then confirmed at the time of the 2012 renewal.

Vincenzo Cannatelli (left office on 28 June 2012)
Vincenzo Cannatelli was born in 1952 and holds a degree in Mechanical Engineering; he also has important international experience and began his career in the Stet and Elsag Bayley Groups; he then moved to ENEL where he held important positions in the operating companies as COO (Chief Operating Officer) in the Infrastructure & Networks Division and in the Market Division.
He was co-opted as Director with resolution of the Board of Directors on 11 April 2006 and confirmed by the Shareholders' Meeting of 19 May 2006 for the next three years. He was also appointed by the Board of Directors on the same date as Chief Executive Officer, a position he held until 31 March 2007; then, he continued to hold only the position as Director. He is the Managing Director of ErgyCapital S.p.A. and a Director of NTV – Nuovo Trasporto Viaggiatori S.p.A.

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 S.p.A. on 14 February 2005.

Marcello Gallo
Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economics. He was the Deputy Chairman of iNTEk S.p.A. 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.
He joined the Board of Directors of INTEK Group S.p.A. on 14 February 2005.

Giuseppe Lignana (independent)
Giuseppe Lignana was born in 1937 and holds a degree in Electronic Engineering. He was the Managing Director of CEAT Cavi S.p.A. and Director of Banca Commerciale Italiana S.p.A. and SIRTI S.p.A. He joined Cartiere Burgo S.p.A. 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

Gian Carlo Losi was born in 1947 and holds a degree in Business Administration. He joined the Group in 1973 after having been a university assistant in the Faculty of Business Economics at the University of Florence. He became a Manager in 1977 and was then appointed Head of Group Finance and Controlling. He was appointed General Manager of G.I.M - Generale Industrie Metallurgiche S.p.A. in 1990. After having served as Director and Statutory Auditor in Italian and international Group companies, he is currently Secretary of the Company's Board of Directors and head of Corporate Affairs & Internal Audit and Chairman of KME Partecipazioni S.p.A. He was appointed as Director by resolution of the General Shareholders' Meeting of 3 August 2007.

Alberto Pecci (independent) (left office on 28 June 2012)

Alberto Pecci was born in 1943 and holds a degree in Political Science. He has been a member of the Board of Directors of the Company and of the Group for many years. He is the Chairman of the Board of Directors of Pecci Industrial Group's Companies, which operates in the textile sector, and is a member of the Board of Directors of El.En. S.p.A. and Alleanza Assicurazioni S.p.A. He served as Chairman of Fondiaria S.p.A. and as Director of Assicurazioni Generali S.p.A., Mediobanca S.p.A. and Banca Intesa S.p.A.
He joined the Board of Directors on 28 June 1996.

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. S.p.A. and a Director of Camfin S.p.A. and Olimpia S.p.A. He is Deputy Chairman of Gruppo Partecipazioni Industriali S.p.A.
He joined the Board of Directors on 27 October 2000.

A table showing positions as director or statutory auditor held by each Director as at 31 December 2012 in other joint-stock companies, limited partnerships and private limited companies is set out below.

Name	Company	Position
Salvatore Orlando (*)	KME Italy S.p.A. (1)	Chairman of the Board of Directors
	KME A.G. (1)	Member of the Supervisory Board
	iNTEk S.p.A. (3) (4)	Member of the Board of Directors
Vincenzo Manes	iNTEk S.p.A. (3) (4)	Chairman of the Board of Directors/Managing Director
	Fondazione Dynamo	Chairman of the Board of Directors
	I_2 Capital Partners SGR S.p.A. (2)	Deputy Chairman of the Board of Directors
	ErgyCapital S.p.A.(3) (**)	Member of the Board of Directors

	Vita Editoriale S.p.A.	Member of the Board of Directors
	Fondazione Laureus Sport for Good Italia	Member of the Board of Directors
	Fondazione W.W.F. Italia	Member of the Board of Directors
	Fondazione Vita	Member of the Board of Directors
	Uman Foundation	Supporting Partner
	Aeroporto di Firenze S.p.A. (3)	Chairman 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
	Società italiana di Filantropia	Chairman
	Progetto 10 Decimi	Member of the Advisory 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 S.p.A. (4)	Deputy Chairwoman of the Board of Directors
	I2 Capital Portfolio S.p.A. (2)	Chairwoman of the Board of Directors
	ErgyCapital S.p.A. (3)	Chairwoman of the Board of Directors
	I_2 Capital Partners SGR S.p.A. (2)	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
	Meccano S.p.A.	Member of the Board of Directors
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	Franco Vago S.p.A.	Member of the Board of Directors
	KME A.G. (1)	Member of the Board of Directors
	COBRA A.T. (3)	Member of the Board of Directors
	CSN (Cobra Service Network)	Member of the Board of Directors
	KME Partecipazioni S.p.A. (1) (**)	Managing Director

Riccardo Garrè	KME Italy S.p.A. (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

Italo Romano	KME Italy S.p.A. (1)	Chairman of the Board of Directors
	KME Germany GmbH (1)	Member of the Supervisory Board
	KME A.G.(1)	Member of the Board of Directors
	Confindustria Firenze	Deputy Chairman
	European Copper Instituite	Deputy Chairman

	SAIF S.r.l.	Chairman
	Istituto Italiano del Rame S.r.l.	Chairman
Vincenzo Cannatelli (***)	Aledia S.p.A.	Chairman of the Board of Directors
	ErgyCapital S.p.A. (3)	Managing Director
	Nuovo Trasporto Viaggiatori S.p.A. (3)	Director
Mario d'Urso	Fondi Gabelli (Gamco Group)	Member of the Board of Directors
	Il Sole 24 Ore S.p.A. (3)	Member of the Board of Directors
	Dynamo Camp	Member of the Board of Directors
Marcello Gallo	FEB S.p.A.	Chairman
	iNTEk S.p.A. (3) (4)	Member of the Board of Directors
	I_2 Capital Partners SGR S.p.A.(2)	Managing Director
	FEB Investimenti S.r.l.	Chairman
	ISNO 3 S.r.l. (2)	Chairman
	ISNO 4 S.r.l. (2)	Chairman
	FEI S.r.l.	Sole Director
	KME A.G.(1)	Member of the Supervisory Board
	Bredafin Innovazione S.p.A. (in liquidation)	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
Giuseppe Lignana	Museo Nazionale del Risorgimento Italiano	Member of the Board of Directors
Gian Carlo Losi	KME Partecipazioni S.p.A. (1)	Chairman
Alberto Pecci (***)	E. Pecci & C. S.p.A.	Chairman
	Pecci Filati S.p.A .	Chairman
	Pontoglio S.p.A.	Chairman
	Toscofin S.r.l.	Chairman
	Efima S.r.l.	Chairman
	Immobiliare Marina di Salivoli S.r.l.	Deputy Chairman
	Immobiliare Centro P. S.r.l.	Sole Director
	El.En. S.p.A. (3)	Director
	Mediobanca S.p.A. (3)	Director
	EGO S.r.l.	Director
	Rimigliano S.r.l.	Director
	Immobiliare Milanese 2006	Director

	Donghia Inc.	Director
	Campora immobiliare S.a.s.	General Partner
	S.M.I.L. S.a.s.	General Partner
	Cellerese S.a.s.	General Partner
	Finelda S.a.s.	General Partner
	Alero S.a.s.	General Partner
	Alberghi Pratesi S.a.s.	General Partner

Alberto Pirelli	Pirelli & C. S.p.A.(3)	Deputy Chairman of the Board of Directors
	Gruppo Partecipazioni Industrial S.p.A.	Deputy Chairman of the Board of Directors
	Camfin S.p.A.(3)	Member of the Board of Directors
	Pirelli Tyre S.p.A.	Deputy Chairman of the Board of Directors
	FIN.AP di Alberto Pirelli & C. S.a.p.a.	Chairman of the Board of Directors

(1) company controlled by INTEK Group S.p.A.;

(2) company controlled by iNTEk S.p.A.;

(3) company listed in a regulated market;

(4) company merged into KME Group S.p.A. as from 30 November 2012;

(*) deceased on 18 August 2012;

(**) in office until 31 July 2012;

(***) office expired on 28 June 2012.

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 2012 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 Executives with strategic responsibilities 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.

Moreover, it is hereby noted that during 2012, following inspections and audits and the consequent official complaint on lacking organisation and internal controls, the Bank of Italy served an administrative fine to the Board of Directors of I2 Capital Partners SGR S.p.A., a company which is controlled by iNTEk S.p.A., and in the Board of which the directors Vincenzo Manes, Diva Moriani and Marcello Gallo are members.
The fine for the irregularity was Euro 4,500.00 for each Director of I2 Capital Partners SGR S.p.A.

The Board of Directors decided not to limit the number of positions any of its members may hold in other companies with respect to:

- the personal attributes and professional qualifications of its members;
- the number and importance of the above-mentioned positions;
- the high number of Board of Directors meetings attended by its members.

All the above without prejudice to legal and regulatory rights.

4.2.3 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 Articles of Association). It determines strategic guidelines and monitors implementation, ensures management continuity and determines the powers of executive Directors (articles 15 and 16 of the Company Articles of Association). The examination and approval of the Company's and the Group's strategic, business and financial plans, the Company's corporate governance and the Group structure are responsibilities reserved solely for the Board of Directors.

The new Code also highlights that 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 as at 31 December;
- the half-year financial statements as at 30 June;
- interim directors' reports as at 31 March and 30 September.

4.2.4 Delegation of powers

4.2.4.1 Chief Executive Officers

The Board of Directors currently has a Chairman (Vincenzo Manes) and a Deputy Chairwoman (Diva Moriani) and has appointed two Directors to act also as General Managers (Riccardo Garrè and Italo Romano) with non-conflicting specific responsibilities. This functional and operational policy avoids the concentration of responsibilities in one person and is in compliance with the Corporate Governance Code.

Also, in view of the presence of a controlling shareholder, no “Succession Plan” has been provided for executive Directors nor has the Board of Directors currently assessed adoption thereof (article 5.C.1 of the Code).
To this end, it is hereby reminded that the CONSOB Memorandum no. DEM/11012984 of 24 February 2011 on this issue recommended that only companies included in the FTSE MIB index should provide information on the existence of this procedure.

Pursuant to article 20 of the Company Articles of Association, 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.

Article 16 of the Articles of Association provides that the Deputy Chairpersons have the same powers as the Chairman when dealing with urgent matters or to substitute the Chairman in the event of his absence and/or other impediment.

It should be noted that Mr. Manes was appointed as Chairman of the Board of Directors as from 14 September 2012 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.

On 28 June 2012 the General Managers were granted the following powers as sole signatories:

- Director Riccardo Garrè has been granted the powers to manage the industrial, commercial and procurement activities of the Company and the Group within the copper sector (semi-finished products and sale of scrap), according to the guidelines established by the Board of Directors and the Chairman; within these functions he has the powers to manage and coordinate all the Group companies;
- Director Italo Romano has been granted the powers to manage the operations of the Company and the Group in the administrative, financial, planning, control and information technology areas, according to the guidelines established by the Board of Directors and the Chairman; within these functions he has the powers to manage and coordinate all the Group companies.

Limits are applied to the powers of both Directors, when acting in their capacity as General Managers, ranging from Euro 1 million to Euro 10 million per transaction depending on its nature.

The aforementioned resolution was made pursuant to the pre-existing organisational structure of the Board of Directors, which has been essentially changed insofar as the Executive Directors with the appointment of Vincenzo Manes as the Chairman with executive powers of the Company, thereby leaving the office of Deputy Chairwoman exclusively to Diva Moriani.

Due to the nature of their powers, the Chairman, the Deputy Chairwoman and the Directors Riccardo Garrè and Italo Romano are considered Executive Directors.

As set out in more detail in the section below on transactions with related parties, the Board of Directors has given the Chairman and the Deputy Chairwoman specific powers.

4.2.4.2 Reports to the Board of Directors

Due to the fact that the two Executive Directors, who also hold the position of General Manager, are also members of the *Vorstand* of KME A.G., a 100% owned company which controls the Group's industrial grouping operating in the copper sector, they shall provide quarterly reports to the Board of Directors and the Board of Statutory Auditors on the operations, outlook and significant transactions of 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.

As for investments in other sectors, we note that in ErgyCapital S.p.A. as from 1 January 2011, Vincenzo Cannatelli, formerly Chairman of the Company's Board of Directors, was attributed operating powers and became Managing, while Diva Moriani, Deputy Chairwoman of our Company, became the Chairwoman.

Diva Moriani sits on the Board of Directors of COBRA Automotive Technologies S.p.A.

Also pursuant to article 147 *ter* paragraph 4 of the TUF and with reference to the provisions under articles 1 and 2 of the new 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 three independent Directors (one third of its 9 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.

There is no waiver to the prohibition of competition pursuant to article 2390 of the Italian Civil Code.

4.2.5 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, Alberto Pecci (who left office on 28 June 2012 and therefore the assessment relates only to the period of 2012 during which he was in office) 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.

We hereby remind you that the assessment takes place on the date of the respective appointments by the Shareholders' Meeting and is therefore repeated during the procedures for the approval of the financial statements for the year ended 31 December 2012. To this end, we confirm that the press release issued after the resolutions of the

Shareholders' Meeting and the Board of Directors' Meeting of 28 June 2012 contained this information.

Although their are not specifically required to meet pursuant to article 3.C.6. of the Code, they participate in two Committees (Control and Risks Committee and the Remuneration Committee) that consist solely of non-executive and independent Directors meeting separately during the year.

With respect to the requirement of independence of Alberto Pecci, who nevertheless left office when the new Board of Directors was appointed on 28 June 2012, it should be noted that he had been appointed as Director by resolution of the Shareholders' Meeting of 28 June 1996 for the years ending 31 December 1996 and 1997 having, therefore, held the position for over nine years apparently in contrast with the independence criterion pursuant to article 3.C.1. letter e) of the Corporate Governance Code. Moreover, Mr. Pecci participated in the former parent G.I.M. – Generale Industrie Metallurgiche S.p.A. shareholders' agreement, and thus in conflict with the criteria set out at points a) and b) of the same article.

Similarly, it is hereby noted that regarding Mr. Alberto Pirelli, as a Non-Executive Director of G.I.M. – Generale Industrie Metallurgiche S.p.A. up to the date of this company's merger into iNTEk S.p.A. (31 March 2007) and Executive at Pirelli & C. S.p.A. participating in the shareholders' agreement of G.I.M. - Generale Industrie Metallurgiche S.p.A. and KME Group S.p.A., the situation contrasts with these criteria as he furthermore became a member of the Board of Directors in 2000 and his position was confirmed on the occasion of the appointment of the new Board of Directors on 28 June 2012.

Regarding the considerations of an essential and personal nature carried out by the three members of the Board of Statutory Auditors which are provided herein, the Board of Directors ascertains the absence or abstention of the interested parties in relation to their respective competences on the occasion of the assessment and in agreement with the Board of Statutory Auditors, confirms that this characteristic cannot be excluded for either of the aforementioned Directors Alberto Pecci and Alberto Pirelli for whom full independence of assessment and judgment is recognized in form and substance, given also the high level of professionalism and experience of both of them.

4.2.6 Lead Independent Director

Article 2 of the new 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.

During 2012, following the decease of Mr. Salvatore Orlando and the subsequent appointment as Chairman of the Board of Directors of Mr. Vincenzo Manes, given the powers attributed to him, it is no longer possible to consider him as a Non-Executive Director, even though the number of Executive Directors has not changed.

Concurrently, pursuant to the agreements within the shareholder structure of Quattroduedue Holding B.V., which were mentioned previously, it should be reminded that Mr. Manes is not a controlling shareholder of this company and therefore of INTEK Group S.p.A.

Furthermore, the following elements must be assessed:

- the allocation of the corporate offices not only to a Chairman but also to an Executive Deputy Chairman and another two Executive Directors, both of whom are General Managers;
- 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.

Given the above considerations, the Board of Directors did not appoint a Lead Independent Director to coordinate any proposals and contributions from Non-Executive Directors.

4.2.7 Internal procedures of the Board of Directors

The Board of Directors holds at least four meetings a year (article 18 of the Company Articles of Association) which may also be held in the form of phone or video conferences (article 19 of the Company Articles of Association); notice of the agenda for the meeting is provided sufficiently in advance (article 18 of the Company Articles of Association).

The Secretary of the Board will duly provide the relative documentation, taking particular care to safeguard the confidentiality of the individual issues.

At the discretion of the Chairman and the Deputy Chairman and/or the request of other Directors and the Board of Statutory Auditors, managers of the Company and the Group as well as consultants and experts and representatives of Independent Auditors can be invited to the meetings of the Board of Directors. In this case, the minutes of the meeting will also contain the names of these participants.

Resolutions are validly approved by absolute majority and with participation of the majority of Directors (article 19 of the Company Articles of Association).

By virtue of his powers to establish Committees and to determine their responsibilities and powers (article 14 of the Company Articles of Association), the Board of Directors has created the following Committees which consist of Board Directors without operating mandates:

- Control and Risks Committee
- Remuneration Committee.

The composition and function of the Control and Risks Committee is provided below, while the Report on Remuneration contains the information on the Remuneration Committee.

According to the Board of Directors, on the other hand, it is not necessary to establish an Executive Committee because it preferred to appoint two Directors as General Managers with specific and separate responsibilities with Chairman Vincenzo Manes coordinating their activities as well as the activities of the Deputy Chairperson.

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, though fewer than 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 replacement of executive directors

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

In the year under review, the Board of Directors met 11 times compared to 7 times in the previous year, 5 of which took place up to 28 June 2012 and 6 after that date.

Four further meetings were scheduled for this year, as specified below:

- 27 March (examination of draft financial statements);
- 15 May (examination of the interim financial statements as at 31 March);
- 2 August (examination of the interim financial statements as at 30 June);
- 13 November (examination of the interim financial statements as at 30 September).

As of the present date, no meetings of the Board of Directors have been held which had not been scheduled in the above list.

Meetings scheduled for the year are decided in January of each year and published on the Company’s website.

While the individual participation is recorded in the table provided at the end of this Report, we hereby inform you that the participation at meetings by the Directors and the Statutory Auditors was overall equal to 93% (compared to 93%) and 87% (compared to 71%) as for the members holding office until 28 June 2012.

Subsequently, in relation to the meetings of the Board of Directors appointed from 28 June 2012, participation amounted to 96% for Directors and 100% for the Statutory Auditors. Absences are always justified.

4.2.8 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 amendments on corporate information introduced by TUF and subsequently implemented by CONSOB and Borsa Italiana S.p.A., led to a revision in March and November 2006 and again in November 2007. As a result of the new article 114 of TUF and in compliance with the article 115-*bis* of TUF, the so-called “relevant persons” having access to so-called “privileged information” are recorded in an electronic register created on 1 April 2006.

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 S.p.A.

As noted in the new 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.

4.2.8.1 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 Articles of Association.

The Internal Regulations adopted in March 2003 and revised for the first time in November of the same year and then in 2005, 2006, 2011 and finally on 27 March 2013, on the occasion of this Report, implement requirements of the Articles of Association and comply with the Regulation adopted by CONSOB through resolution no. 17221 of 12 March 2010 (hereafter the “Related Parties Regulation”) which in particular requires that transactions with related parties, which are performed directly or through subsidiaries, must be carried out in compliance 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. The text of the procedure was reviewed on 27 March 2013, following the amendments to the governance which took place in 2012.

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

4.2.8.1.1 Identification of parties

Related parties are those indicated by CONSOB, but the Board of Directors has identified as "executives with strategic responsibilities" (under the CONSOB definition contained in the "Related Parties Regulation") also the executive directors of KME A.G. extending application of the procedure to them.

The Directors and the Statutory Auditors of the Company, 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 executives with strategic responsibilities.

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

4.2.8.1.2 Identification of transactions

"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 compensation and economic benefits, in whatever form, for members of the administrative and control bodies and managers with strategic responsibilities.

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

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

4.2.8.1.3 Activities of the Control and Risks Committee

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 Articles of Association, after having heard the reasoned opinion of the Internal 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 Articles of Association.

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.

4.2.8.1.4 Powers of the Chairman and the Deputy-Chairwoman

According to the procedure Chairman Vincenzo Manes and, in the case of his absence or impediment, or where urgency is required, 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 of the Company and its subsidiaries for an amount not exceeding Euro 5 million.

Furthermore, transactions of an amount exceeding Euro 5 million as well as those of a lesser amount for which a conflict of interest involving the Chairman and the Deputy Chairwoman called upon to approve them exist, must be submitted to the Board of Directors for its prior approval.

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, where allowed) 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.

4.2.8.1.5 Regulations-exempt 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. transactions of less than Euro 100,000.00 with physical persons and not exceeding Euro 500,000.00 with other persons, as long as they do not present any risks linked to the characteristics of the itself and also with the requirement that these transactions cannot have a significant impact on the financial position of the Company (on both cases amounts are identified on a yearly basis and also cumulatively;
3. "Incentive 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 compensation 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-application of the Internal Regulations, the following shall not be considered to be “significant interests”:

1. the mere sharing of one or more directors, or executives with strategic responsibilities, 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 compensation of executives with strategic responsibilities 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 Incentive plans based on financial instruments or, in any case, on variable compensation, 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 a “Framework Resolution”.

4.2.8.1.6 Disclosure

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 accounting 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 accounting 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 accounting 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 Regulations, 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.

4.2.8.1.7 Procedure for verifying the Regulations

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.

4.2.8.1.8 Proposals to modify the Regulations

Articles 10 (Calling Shareholders’ Meetings) and 14 (Management of the Company) of the Articles of Association allow the Board of Directors to carry out transactions with the 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.

4.2.9 Composition and functioning of Committees created within the Board of Directors

4.2.9.1 Remuneration Committee

The members of the Remuneration Committee are Alberto Pirelli (Chairman), Mario d'Urso and Giuseppe Lignana, all of whom qualifying as Non-Executive, Independent Directors.
Considering the new legislation on the issue as noted above, please refer to the "Remuneration Report".

4.2.9.2 Control and Risks Committee

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 Alberto Pirelli who has replaced Alberto Pecci since 28 June 2012.

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

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 entitled "The role of the Control and Risks Committee".

4.3 Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administration and accounting structure of the Company as it actually functions.

4.3.1 Composition of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed as proposed by Quattrotretre S.p.A. (the then majority shareholder of the Company with 29.66% of voting capital) during the Shareholders' Meeting held on 28 June 2012 for the 2012, 2013 and 2014 periods 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 non-controlling Shareholder, which, pursuant to article 22 of the Articles of Association, would be the highest in accordance with articles 147 *ter*, paragraph 1 of TUF and 144 *quater* of the Issuers' Regulation.

To this end, we hereby remind you that on the date of the appointment of the Board of Statutory Auditors in office this percentage was 4.5% while it is currently 2.5%, pursuant to 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. Both persons will remain in office until the next Shareholders' Meeting.

Consequently, the Board is composed of three standing auditors and no alternate auditors while awaiting the resolutions which must be made by the Shareholders' Meeting convened for 30 April 2013 (single call) in order to integrate the composition of the Board of Statutory Auditors.

It is hereby observed that its composition is essentially already compliant with the provisions regarding the "gender quotas" due to the presence of Ms. Francesca Marchetti as Standing Auditor.

As for the Directors, the names of all the members of the Board of Statutory Auditors in office during 2012 are listed below with a brief curriculum vitae, which is also available on the website www.itkgroup.it.

Riccardo Perotta (Chairman from 28 June 2012 to 30 July 2012)
Mr. Riccardo Perotta was born in 1949 and graduated in Economics and Business at Bocconi University. He is a Registered Certified Accountant and Auditor, an associate professor at the aforementioned University and has a professional practice in Milan. He holds and has held positions in the Boards of Statutory Auditors of listed companies, including but not limited to Eni, Fiat, Mediaset, Snam Rete Gas and Mediolanum. He is a scholar and author of numerous books and articles pertaining to extraordinary management and corporate governance transactions.

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 holds a degree in Economics and Business and is a Registered and Certified Accountant and Auditor with a professional practice in Milan and Brescia. She

serves as Auditor for companies not belonging to the Group as well as for ErgyCapital S.p.A.

Lorenzo Boni (Alternate Auditor – Standing Auditor from 30 July2012)
Mr. Lorenzo Boni was born in 1968 and graduated in Economics and Business. He is a Registered and Certified 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.

Luca Bertoli (Alternate Auditor- no longer in office as of 30 July 2012)
Mr. Luca Bertoli was born in 1980 and graduated in Law and Business Administration at Bocconi University. He is a Registered Certified Accountant and Auditor, assistant professor at the aforementioned University and has a professional practice in Milan. He serves as Standing Auditor for other companies.

Pasquale Pace (Standing Auditor – no longer in office as of 28 June 2012)
Mr. Pasquale Pace was born in 1938 and graduated in Business Administration. He is a Registered Certified Accountant and Auditor with a professional practice in Bari. He also holds positions on other Boards of Statutory Auditors and he is assigned judicial tasks. He is a registered court technical expert with respect to administrative and criminal law.
He joined the Board of Statutory Auditors on 19 May 2006.

Vincenzo Pilla (Standing Auditor – no longer in office as of 28 June 2012)
Mr. Vincenzo Pilla was born in 1961 and graduated in Economics and Business. He is a Registered Certified Accountant and Auditor with a professional practice in Florence. He is the author of publications and papers on company and tax issues. He also holds positions on other Boards of Statutory Auditors, including Group companies and he is assigned judicial tasks.
He joined the Board of Statutory Auditors on 29 April 2009.

Angelo Garcea (Alternate Auditor- no longer in office as of 28 June 2012)
Mr. Angelo Garcea was born in 1969 and graduated in Economics and Business. He is a Registered Certified Accountant and Auditor with a professional practice in Florence. He is the author of numerous papers on taxation.
He was appointed for the first time as Alternate Auditor on 28 October 1999.

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.

Article 22 of the Company Articles of Association, 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 S.p.A.;
- 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 non-controlling 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 Shareholder with the largest shareholding 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 Articles of Association 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.

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 Articles of Association 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.

To this end, it is hereby confirmed that the press release issued after the resolutions of the Shareholders' Meeting of 28 June 2012 contained such information.

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

The Board of Statutory Auditors, with the abstention of the interested parties, was of the opinion that their situation did not limit their independence because of their personal skills and due to the fact that the memberships are not material within the overall context of their professional activities; these assessments are shared by the Board of Directors.

The assessment carried out on the date of their respective appointment by the Shareholders' Meeting and therefore repeated as part of the procedures for the approval of the financial statements for the year ended 31 December 2012, is furthermore confirmed by the ethics regulations effective as at 1 January 2012 which were approved by the Italian National Council of Chartered Accountants and Accounting Experts and require the Board of Statutory Auditors to verify the existence of a "concrete threat" to the independence of its members on a case by case basis and pursuant to risk assessment procedures that could compromise their integrity and objectivity.

The Board of Statutory Auditors consequently 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 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 its Reports 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 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 2012, the Board of Statutory Auditors in office up to 28 June 2012 met three times compared to the six meetings of the previous year; participation in the meetings by the members was 89% (compared to 90.5%). Absences of the Statutory Auditors were always justified.
The Board of Statutory Auditors appointed by the Shareholders' Meeting of 28 June 2012 met three times with 100% participation of its members.

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor as at 31 December 2012 in 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 S.p.A.	Member of the Board of Directors
	Brandini S.p.A	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
	KME Italy S.p.A.(1)	Standing auditor
	Casasole S.p.A.	Standing auditor
	Fondazione Angeli del bello	Member of the Auditing Board
	Stella Polare Onlus	Member of the Auditing Board
Pasquale Pace (*)	Primiceri S.p.A.	Chairman of the Board of Statutory Auditors
	Baia San Giorgio - Villaggio turistico sportivo San Giorgio S.r.l.	Chairman of the Board of Statutory Auditors
	Marzocca S.r.l.	Standing auditor
Vincenzo Pilla (*)	KME Italy S.p.A.(1)	Chairman of the Board of Statutory Auditors
	EL.EN. S.pA(3)	Chairman of the Board of Statutory Auditors
	Deka Mela S.r.l.	Chairman of the Board of Statutory

		Auditors
	Lasit S.p.A	Chairman of the Board of Statutory Auditors
	Elba Assicurazioni S.p.A.	Chairman of the Board of Statutory Auditors
	Cut Lite Penta S.r.l.	Standing auditor
	S.A.I.F. S.r.L.	Standing auditor
Riccardo Perotta (**)	Boing S.p.A.	Standing auditor
	Compagnia Italiana di Navigazione S.p.A.	Director
	Idea Fimit SGR S.p.A. (Fondo Atlantic 1)	Chairman of the Consulting Committee
	Jeckerson S.p.A.	Chairman of the Board of Statutory Auditors
	Mediolanum S.p.A. (3)	Standing auditor
	Savio Macchine Tessili S.p.A.	Standing auditor
	Value Partners Managment Consulting S.p.A.	Director
	Viscolube S.r.L.	Standing auditor
Francesca Marchetti	Fondo Pensione Personale Deutsche Bank Italia S.p.A.	Standing auditor
	ErgyCapital S.p.A. (3)	Standing auditor
Lorenzo Boni	KME Italy S.p.A.(1)	Standing auditor
Luca Bertoli (**)	Accretion Corporate Consulting S.p.A. (in liquidation)	Chairman of the Board of Statutory Auditors
	Axitea Net S.r.l.	Standing auditor
	Axitea S.p.A.	Standing auditor
	Idroconsulting S.r.l.	Standing auditor
	Nava Milano S.p.A.	Standing auditor
	Nella Longari S.r.l.	Standing auditor
	Value Partners Managment Consulting S.p.A.	Standing auditor

Angelo Garcea (*)	Polimoda Consulting S.r.l.	Chairman of the Board of Statutory Auditors

(1) company controlled by INTEK Group S.p.A.;
(2) company controlled by iNTEk. S.p.A.
(3) company listed in a regulated market;
(*) no longer in office as from 28 June 2012;
(*) no longer in office as from 30 July 2013.

4.4 Shareholders' Meetings: powers, procedures and rights other than those provided by law

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 amendments were introduced by Legislative Decree 91 of 18 June 2012 as it is currently applicable.

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 Articles of Association 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 Articles of Association (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 Articles of Association, 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.

As regards the provisions for the deposit of shares in order to participate at Shareholders' Meetings, article 11 (Participation and representation at Shareholders' Meetings) of the Articles of Association includes the principle of the "record date", and it is a real change compared to the previous procedure. Participation at Shareholders' Meetings is now connected to the entries in the accounting records as at the seventh trading day preceding the date set for the Shareholders' Meeting on first call.

Pursuant to the new 2012 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, PFIs and other bonds.

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

The above-mentioned article in the Articles of Association 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 Articles of Association, particularly with reference to the protection of non-controlling 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 Articles of Association, attached to this Report and available on the Company's website in the Investor Relations – Corporate Governance – Articles of Association 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 Articles of Association 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, PFIs (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 2012, the ordinary Shareholders' Meeting was held on 9 May and an extraordinary Shareholders' Meeting on 28 June. A special meeting for holders of savings shares was held on 27 June 2012 as well.

4.4.1 Company Articles of Association and protection of non-controlling shareholders

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

The Articles of Association 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 to 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 Articles of Association 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 and 5 respectively mention the right of Shareholders to put forward questions before the Shareholders' Meeting (article 125 *bis*, paragraph 4, letter b), no. 1) of TUF) and the right to require identification of Shareholders (article 83 *duodecies* of TUF).

To this end, it should be noted that the new 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.

4.4.1.1 Additions to the Agenda and presentation of new resolution proposals

Article 10 of the Articles of Association 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.

4.4.1.2 Request to call Shareholders' Meeting

As noted by article 10 of the Articles of Association, and as provided for by article 2367 of the Italian Civil Code, Shareholders who represent 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.

4.5. Internal 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 organizational 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.

4.5.1 The role of the Control and Risks Committee

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 Director and General Manager Italo Romano (the last one with respect to his specific responsibilities for internal control) and the Chairman of the Board of Statutory Auditors (or any other standing auditor designated by the Chairman) are invited to attend the Committee's meetings.

The Committee met four times in 2012, compared to twice in the previous year, and the participation of its members amounted to 92%. The Chairman of the Board of Statutory Auditors participated three times in the meetings for which minutes were taken and, in his absence, both Statutory Auditors were present. It met just once in 2013; 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.

4.5.2 Executive director responsible for the internal control system

The Chairman, Vincenzo Manes, is responsible for overseeing the internal control system.

4.5.3 Head of Internal Control

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.

4.5.4 Internal Audit

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

4.5.5 Role of the Board of Directors with respect to the internal control system

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.

4.5.6 Manager in charge of Financial Reporting

At its meeting of 28 June 2012, in accordance with the provisions of article 16 of the Company Articles of Association 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, re-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.

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 of 30 September 2007, with the first certification pursuant to paragraph 5 of the same article having been made with respect to the financial statements as at and for the year ending 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.

The Board of Directors annually checks compliance with the necessary requirements for the role of Manager in charge of Financial Reporting.

4.5.7 Risk management system with respect to financial reporting

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 international financial reporting standards 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 S.p.A. 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 followed in accordance with the COSO Report are those to ensure: a) the efficiency and effectiveness of operations; b) accuracy of financial reporting; and, c) compliance with 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 positions, 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*: 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.

4.5.7.1 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 S.p.A. 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 S.p.A. 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 S.p.A. 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 S.p.A. 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 controls* 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 controls* (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 S.p.A. 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 to the Management and the Control and Risks Committee, which in turn reports to the Parent Company’s Board of Directors and Statutory Auditors.

b) <u>Roles and company units</u>

INTEK Group S.p.A. 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).

4.5.8 Independent auditors

KPMG S.p.A. 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 S.p.A.

KPMG S.p.A. 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 responsible for carrying out the audit on behalf of the Independent Auditors is Mr. Piero Bianco, who has held this position since 26 February 2013 for the auditor's report on the financial statements for the year ended 31 December 2012. Pursuant to article 17, paragraph IV of Legislative Decree 39 of 27 January 2010 (the "Consolidated Law on Auditing"), the maximum term of this mandate is capped at six years.

The total fees paid by the Company amount to Euro 117 thousand. The total fees paid at Group level were Euro 1,156 thousand. Please refer to the explanatory notes to the financial statements for further information.

The Independent Auditors were not given any further duties during the year except as indicated below:

- assignment regarding the assessment of the merger exchange ratio (in addition to a similar assignment for the Merger of Quattrotretre S.p.A. into iNTEk S.p.A.);
- assignment regarding the *pro-forma* income, equity and financial information of the Company as part of the Merger (in addition to a similar assignment for iNTEk S.p.A.);
- assignment pursuant to article 2441, paragraph IV of the Italian Civil Code regarding whether the new shares related to the second run of the Stock Option Plan outstanding were issued at the current market price on the occasion of the Board of Director's resolution of 19 December 2012.

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

It should be noted that at the ordinary Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2012, a proposal will be made to supplement the terms and conditions for carrying out the statutory audit following the merger of iNTEk S.p.A. into INTEK Group S.p.A.

Additional details are provided in the Justified Proposal of the Board of Statutory Auditors and the Directors' Report, as well as in the offer of the Independent Auditors, which were prepared for this purpose and made available to the public pursuant to the applicable provisions in the section of the website dedicated to the Shareholders' Meeting of 30 April 2013.

This supplement implies an additional overall cost of Euro 140,000.00 per year for the years from 2012 to 2015.

4.5.9 The Supervisory Board and "Model 231"

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. The Company has established a supervisory board composed of several Company and Group executives 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.

The Chairman of the Board of Statutory Auditors participates in its meetings and the managers of the individual areas undergoing verification and control are also invited.

4.6 Investor Relations

To underline the importance of Shareholders' Meetings as the best time and place for the Board of Directors to provide information to Shareholders and share views on the Company's performance and outlook, in order to facilitate a more informed participation in Shareholders' Meetings, besides the filing of documents envisaged by the provisions in force, the Company sends Shareholders who have attended the last three Shareholders' Meetings (or who have requested to) an "IT support" (previously it was a printed file) containing the relevant documentation at least one week before the meeting is held. In addition, during all Shareholders' Meetings, all those participating are given a file with the relevant documentation which, for the Shareholders' Meeting for the approval of the financial statements, is accompanied by a copy of the Articles of Association in force.

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 S.p.A.) as well as information on the business and products of the Group's industrial companies.

On 1 December 2012, following the Merger and the change of the name to INTEK Group S.p.A., the company adopted a new website, www.itkgroup.it, to which visitors to both www.kme.com and www.itk.it are redirected. The former currently represents only the industrial operations of the investee KME A.G., while the latter represented iNTEk S.p.A. until the merger became effective.

Access to the site 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 S.p.A., and then by the “SDIR/NIS”.

From that date, following the transposition 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 S.p.A. The use of this service is signalled on the homepage of the Company’s web site.

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 S.p.A., which in turn publishes a notice containing them, and CONSOB.

The site reports historical, documentary, accounting and financial information (annual, half-year 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, Articles of Association, characteristics of securities issued, Regulations for financial instruments and bonds, Internal Codes and Procedures, minutes of the Shareholders’ Meetings and of the meetings of the Board of Directors), 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.

The website www.itkgroup.it. had over 1.3 million hits during 2012 by over 500,000 visitors with over 3.7 million pages viewed, slightly less than in 2011.

Over 5,000 pdf files regarding the financial reports were downloaded, and the presentation of the Group, which is updated whenever quarterly figures are published, was downloaded almost 2,000 times. It is available also in English.

Furthermore, press releases and documents issued by the Company are constantly sent to subscribers to the mailing list. About 50,000 messages were sent during the year (1,097 subscribers compared to 1,192 in 2011).

Since 2008, the annual financial statements are available not only for download as a pdf file, but also in an online version, in both Italian and English.

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

The role of investor relations manager 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 financial instruments 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 extraordinary transactions that took place during 2012 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organizing and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restricitions, to find information about the Company as broadly and fast as possible.

4.7 Other Corporate Governance Issues

4.7.1 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 and 2012 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.

In accordance with the new provisions regarding remuneration, the equity investments held in the Company and its subsidiaries by the Directors and Statutory Auditors are disclosed in the Remuneration Report, to which reference should be made.

4.7.2 Personal data protection

Regarding the protection of personal data, it should be noted that article 45, paragraph 1.d of Legislative Decree 5 of 9 February 2012 has eliminated the requirement to prepare a "Security Policy Document." The external entity designated as data processor is KME S.r.l., and the person in charge of the processing is Mr. Filippo Mazzoli.

4.8 Changes after the end of the reporting period

The end of the year practically coincided with the change of the company's name and the transfer of its registered office from Florence to Milan.

In particular, the structural changes following the Merger represented a complex restructuring of functions at the corporate, administrative and accounting level, which required, and will continue to do so also in 2013, a strong and willing commitment to adaptation and renewal, in keeping with a detailed schedule accounting also for the upcoming corporate events and the related requirements a listed company is subject to.

Naturally, in the meanwhile the effectiveness of the Company's provisions and procedures is being constantly monitored in the light of the several changes introduced in company law, an activity already carried out for the changes resulting from the Merger and the simultaneous amendment to the Corporate Governance Code and the new laws introduced during 2012, and finally of the changes that must be introduced in 2013, with particular attention to the composition of administration and control bodies following the events that took place in the second half of 2012.

TABLE 2. A (effective from 1 January 2012 to 28 June 2012)

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS											CONTROL AND RISKS 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	Salvatore Orlando	29.04.2009	28.06.2012	M		x			100	3				
Deputy Chairman	Vincenzo Manes	29.04.2009	28.06.2012	M	x				100	7				
Deputy Chairwoman	Diva Moriani	29.04.2009	28.06.2012	M	x				100	12				
Director / Gen. Man	Riccardo Garrè	22.03.2011	28.06.2012	M	x				100	3				
Director / Gen. Man	Italo Romano	29.04.2009	28.06.2012	M	x				100	7				
Director	Vincenzo Cannatelli	29.04.2009	28.06.2012	M		x			100	3				
Director	Mario d'Urso	29.04.2009	28.06.2012	M		x	x	x	100	1	x	75	x	100
Director	Marcello Gallo	29.04.2009	28.06.2012	M		x			100	10				
Director	Giuseppe Lignana	29.04.2009	28.06.2012	M		x	x	x	80	= =	x	100	x	100
Director	Gian Carlo Losi	29.04.2009	28.06.2012	M		x			100	1				
Director	Alberto Pecci	29.04.2009	28.06.2012	M		x	x	x	40	19	x	100		
Director	Alberto Pirelli	29.04.2009	28.06.2012	M		x	x	x	100	5			x	100
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----														

Director	Vincenzo Cannatelli	29.04.2009	28.06.2012	M					100	3				
Director	Alberto Pecci	29.04.2009	28.06.2012	M		x	x	x	40	19	x	100		

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* *5*	*Control and Risks Committee:* *4*	*Remuneration Committee:* *1*

<u>Notes</u>

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 2. B (effective from 28 June 2012 to 31 December 2012)

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS											CONTROL AND RISKS 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 (1)	Salvatore Orlando	28.06.2012	18.08.2012	M		x			100	3				
Deputy Chairman (2)	Vincenzo Manes	28.06.2012	31.12.2014	M	x				100	7				
Deputy Chairwoman	Diva Moriani	28.06.2012	31.12.2014	M	x				100	12				
Director / Gen. Man	Riccardo Garrè	28.06.2012	31.12.2014	M	x				100	3				
Director / Gen. Man	Italo Romano	28.06.2012	31.12.2014	M	x				100	7				
Director	Mario d'Urso	28.06.2012	31.12.2014	M		x	x	x	100	1	x	100	x	100
Director	Marcello Gallo	28.06.2012	31.12.2014	M		x			100	10				
Director	Giuseppe Lignana	28.06.2012	31.12.2014	M		x	x	x	100	= =	x	100	x	100
Director	Gian Carlo Losi	28.06.2012	31.12.2014	M		x			100	19				
Director	Alberto Pirelli	28.06.2012	31.12.2014	M		x	x	x	67	5	x	100	x	100

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* *6*	*Control and Risks Committee:* *1*	*Remuneration Committee:* *1*

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.

(1) Died on 18 August 2012;

(2) Took over as Chairman on 14 September 2012 due to the death of Mr. Salvatore Orlando

* 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 3. A (effective from 01 January 2012 to 28 June 2012)

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	29.04.2009	28.06.2012	M	x	100	6
Standing auditor	Pasquale Pace	29.04.2009	28.06.2012	M	x	67	3
Standing auditor	Vincenzo Pilla	29.04.2009	28.06.2012	M	x	100	7
Alternate auditor	Lorenzo Boni	29.04.2009	28.06.2012	M	x	==	1
Alternate auditor	Angelo Garcea	29.04.2009	28.06.2012	M	x	==	1
---------- STATUTORY AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR ----------							
Standing auditor	Pasquale Pace	29.04.2009	28.06.2012	M	x	67	4
Standing auditor	Vincenzo Pilla	29.04.2009	28.06.2012	M	x	100	7
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 percentage of attendance of Statutory Auditors at the meetings of the Board of Statutory Auditors (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 which are relevant under article 148 *bis* of the TUF.

TABLE 3B

Structure of the Board of Statutory Auditors

(effective from 28.06.2012 al 31.12.2012)

BOARD OF STATUTORY AUDITORS

Position	Member	Serving from	Serving until	List (M/m) *	Independence as per Code	% **	Number of other positions ***
Chairman	Riccardo Perotta	28.06.2012	31.12.2014	M	x	100	8
Standing auditor	Marco Lombardi (1)	28.06.2012	31.12.2014		x	100	6
Standing auditor	Francesca Marchetti	28.06.2012	31.12.2014		x	100	1
Alternate auditor	Luca Bertoli	28.06.2012	31.12.2014	M	x	==	7
Alternate auditor	Lorenzo Boni	28.06.2012	31.12.2014	M	x	100	1
--------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ---------							
Chairman	Riccardo Perotta	28.06.2012	30.07.2012	M	x	100	8
Alternate auditor	Luca Bertoli	28.06.2012	30.07.2012	M	x	==	7
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

(1) Took over as Chairman of the Board of Statutory Auditors on 30 July 2012 following the resignation of Mr. Riccardo Perotta.

(2) Took over as Standing Auditor on 30 July 2012 following the appointment of Mr. Marco Lombardi as Chairman of the Board of Statutory Auditors and the resignation of Mr. Riccardo Perotta.

* 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 Statutory Auditors at the meetings of the Board of Statutory Auditors (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 which are relevant under article 148 *bis* of the TUF.

Table 4

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	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 an 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 Articles of Association, a full copy

			of which is available on the internet
Have the Rules been annexed to the Report (or is there information as to where it is available or can be downloaded)?	x		See Chapter III of the Company Articles of Association, a full copy of which is available on the internet
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		All contact details are indicated in the Directors' Report and on the internet

<u>Updated version of the Company Articles of Association at 19 December 12</u>
<u>(most recent amendments)</u>

COMPANY ARTICLES OF ASSOCIATION

CHAPTER I

Art. 1. Name

A public limited company bearing the name "**INTEK Group S.p.A.**" has been incorporated.

Art. 2. Registered Office

The Company's registered office is in Milan.

The Board of Directors may move the registered office to any other location in Italy and may open, move and close offices, branches and agencies in Italy and abroad.

Art. 3. Purpose

The purpose of the Company is to invest in other Companies or entities both in Italy and abroad, to finance and technically and financially coordinate the Companies or entities in which it owns an interest, to purchase, sell, hold, manage and place public and private securities.

The corporate purpose includes: to issue and receive guarantees and other warranties; to engage in commercial transactions complementary or related to the operations of the Companies or entitites in which it owns an interests; to acquire and dispose of industrial and non-industrial property; as well as, in general, to carry out any other transaction related to, or either expedient or useful for, achieving its corporate purpose.

CHAPTER II

Art. 4. Share capital

The share capital amounts to Euro 314,225,009.80 (three hundred and fourteen million two hundred and twenty-five thousand nine Euro and eighty cents) represented by 395,616,488 (three hundred and ninety-five million six hundred and sixteen thousand four hundred and eighty-eight) shares without par value, of which 345,506,670 (three hundred and forty-five million five hundred and six thousand six hundred and seventy) are ordinary shares and 50,109,818 (fifty million one hundred nine thousand eight hundred and eighteen) savings shares, which the holders of Intek S.p.A.'s savings shares received in exchange as part of the merger of Intek S.p.A. into the Company.

The Extraordinary Shareholders' Meeting of 9 May 2012 approved a share capital increase up to any amount necessary for the swap ratio for the merger of Intek S.p.A. into the Company, and in any case up to a maximum of Euro 145,626,232.08 (one hundred forty-five million six hundred twenty-six thousand two hundred and thirty-two Euro and eight cents).

Resolutions to increase the share capital approved with the majority votes required by articles 2368 and 2369 of the Italian Civil Code may suspend the pre-emption right up to a maximum of 10% of the share capital before the increase, provided that the issue price is equal to the market price of the shares as confirmed in a specific report to be issued by the internal auditor or the independent auditors.

The Board of Directors, exercising its power pursuant to article 2443 of the Italian Civil Code delegated by the extraordinary Shareholders' Meeting of 2 December 2009, resolved on 7 October 2010 and 19 December 2012 to increase the share capital up to a maximum nominal amount of Euro 8,663,500.00 (eight million six hundred and sixty-three thousand five hundred) by issuing a maximum number of 29,000,000 (twenty-nine million) ordinary shares without par value and with regular dividend rights to be offered for subscription by 31 December 2015, against payment, suspending the pre-emption right pursuant to article 2441, paragraph 4, second sentence of the Italian Civil Code, to the Executive Directors of

the Company and the Managers of the Company or its subsidiaries for the “2010-2015 Intek Group S.p.A. Stock Option Plan.”
The share capital can be increased up to a maximum amount of Euro 32,004,000.00 (thirty-two million four thousand) through the issuance of a maximum number of 33,770,160 (thirty- three million seven hundred seventy thousand one hundred and sixty) ordinary shares without par value exclusively for the conversion of the convertible bond named “2012-2017 Intek Group S.p.A. Convertible bond”. The increase shall be carried out by 24 September 2017.
The Company may redeem the convertible bonds for cash, instead of having them converted, after having received the authorization by the Shareholders’ Meeting pursuant to article 2364, paragraph 1, number 5) of the Italian Civil Code, as provided in the regulation of the bond.
The amount of share capital and its division in ordinary and savings shares as described in this article are liable to change from time to time as a result of the transactions described in Art. 7 below and the exercise of the conversion right of holders of any convertible bonds and warrants outstanding.

Art. 5 Identification of the Shareholders and Classes of Shares

The Company may make a request to the intermediaries, through the centralised management company, for the personal details of the shareholders that have not expressly prohibited their disclosure, along with the number of shares recorded on their accounts at a certain date.
If this request is made at the petition of the Shareholders, the provisions of prevailing law and regulations shall apply, including with reference to the minimum percentage of shares required to make the petition; in this case, unless otherwise established by applicable law, the costs will be equally apportioned between the Company and the petitioning Shareholders.
As permitted by law and these Articles of Association, all shares are either registered or bearer shares and convertible from one to the other at the request and expense of the holder.
The Shareholders’s Meeting may authorise the issuance of voting and non-voting preference shares and determine their characteristics and rights. Savings shares, on the other hand, have the characteristics and rights fixed by law and these Articles of Association.
Authorisations to issue new savings shares with the same characteristics as those outstanding do not require the approval of a special Meeting. The holders of savings shares may not participate in the Meetings of holders of other classes of shares, nor may they request to call them.
Reductions of share capital due to losses have no impact on savings shares unless such losses exceed the amount of other classes of shares.
In the event of a permanent and definitive delisting of the Company’s ordinary and savings shares from regulated markets, the holders of savings shares shall have the right to convert them into ordinary shares at a one-to-one ratio or, alternatively, into preference shares, the terms of issue and characteristics of which shall be determined at the Shareholders’ Meeting. The Board of Directors shall, within three months of the event that resulted in the delisting, call an Extraordinary Shareholders’ Meeting to deliberate on the matter.
Without prejudice to any other rights of the Company and the specific procedures required by law against Shareholders late on payment, the failure to pay for the shares subscribed shall entitle the Company to interest for late payment calculated in accordance with article 5 of Legislative Decree 231 of 9 October 2002 without making a request for a notice of default or petitioning the courts.

The Company shall be entitled to any dividends that remain unclaimed for a period of five years.

Art. 6 Bonds and non-participatory financial instruments

The Company may issue convertible and non-convertible bearer or registered bonds in accordance with the law.

Art. 7. Delegation to Directors

The extraordinary Shareholders' Meeting may authorise the Directors, pursuant to article 2443 of the Italian Civil Code, to increase share capital one or more times up to a set amount for a maximum period of five years from the date of the resolution.

The extraordinary Shareholders' Meeting of 2 December 2009 resolved to authorise the Board of Directors, pursuant to article 2443 of the Italian Civil Code, to increase the share capital in one or more tranches against payment, within a period of five years from the date of this resolution, for a maximum amount, including any premium, of Euro 15,000,000.00 (fifteen million), through the issuance of a maximum of 31,000,000 (thirty-one million) ordinary shares with the same characteristics as those outstanding, suspending the pre-emption right pursuant to article 2441, paragraph 4, second sentence of the Italian Civil Code, to be reserved for beneficiaries of the "INTEK Group S.p.A. Stock Option Plan" approved at the ordinary Shareholders' Meeting of 2 December 2009, at an issue price equal to the average of the official closing prices for INTEK Group S.p.A.'s ordinary shares recorded on the *Mercato Telematico Azionario*, which is organised and managed by Borsa Italiana, in the period from the grant date of the options to the same day in the previous month.

The Board of Directors, at its meetings of 7 October 2010 and 19 December 2012, partially used the power delegated to it by the extraordinary Shareholders' Meeting of 2 December 2009, as indicated in article 4 above.

Art. 8. Profit for the year

The profit for the year, after the allocation to the legal reserve and the distribution of 2% of the remaining amount to the Board of Directors, shall be allocated as follows:

a) a maximum of € 0.07241 (zero point zero seven two four one) per savings share per year. In the event that in any one year the dividend distributed to holders of savings shares is less than € 0.07241 (zero point zero seven two four one) per share, the difference shall be added to the preference dividend for the next two years;

b) the allocation of the remaining profit shall be approved by the Shareholders' Meeting, in accordance with law, without prejudice to the requirement that in the event of dividends distributed to all shares, savings shares shall received an overall dividend higher than ordinary shares by € 0.020722 (zero point zero two zero seven two two) per share per year.

By way of partial derogation to the above, for the savings shares that the holders of Intek S.p.A.'s savings shares received in exchange as part of the merger of Intek S.p.A. into the Company, the preference as described in letter a) above:

(i) shall be increased by €0.07241 for 2011 and

(ii) shall be increased by an additional €0.07241 for 2012, should the profit for 2011 not be sufficient.

In the event of a distribution of reserves, the rights of savings shares shall be the same as other classes of shares.

With reference to savings shares, in the event of a share grouping or split (as well as of other equity transactions making it necessary in order to maintain the rights of Holders of Savings Shares the same as if they had a par value), the fixed amounts per share mentioned in the preceding paragraphs shall be modified accordingly.

Art. 9. Interim dividends

The Board of Directors may declare interim dividends in accordance with the terms and conditions fixed by law.

CHAPTER III

Art. 10 Calling, Quorum and Resolutions of the Shareholders' Meetings

Shareholders' Meetings shall be ordinary or extraordinary in accordance with law and shall be called by the Board of Directors. They may also be held in a location other than the registered office provided that it is in Italy or another European Union member state.
The ordinary Shareholders' Meeting for the approval of the financial statements must be called within 120 days from the end of the financial year, or, in the cases described in article 2364, paragraph 2 of the Italian Civil Code, within 180 days from the end of the financial year, without prejudice to the provisions of article 154 ter of Legislative Decree 58/1998.
The extraordinary Shareholders' Meeting shall be called in all cases provided for by law.
The Meeting may be held in single call, or in first, second and, exclusively for extraordinary Meeting, in third call.
Both ordinary and extraordinary Meetings will be considered to be quorate in accordance with the law and provisions of the Articles of Association.
The notice of call shall be published on the website of the Company and, if required by applicable law, on the Official Journal of the Italian Republic or alternatively on at least one of the following newspapers: "Il Sole 24 Ore", "MF / Milano Finanza", "Italia Oggi"; all this in the terms and with the procedures envisaged by the law and the regulations in force from time to time.
Said notice must inform that votes may be cast by mail, and therefore indicate the relevant procedure as well as the parties from whom ballots may be obtained for voting by mail, and the address to which those should be sent.
The Shareholders who, including jointly, represent at least one fortieth of share capital, may request, within the terms provided by applicable law, to add items to the agenda, indicating in the request, which must be presented in writing, along with the detailed list of the petitioners, the further topics that they propose; the legitimation to exercise this right shall be confirmed by communication made to the Company by the intermediary authorised to keep the accounts in accordance with the law. Any additional agenda items to be discussed at the Shareholders' Meeting shall be notified in the same form required for the publication of the notice of call within the legal terms.
Agenda items may not be added with respect to matters subject to resolution by the Shareholders's Meeting at the proposal Directors or with reference to a project or report prepared by Directors, pursuant to the law, other than those specified in article 125 ter, paragraph 1 of Legislative Decree 58/1998.
All other legal and regulatory provisions in force from time to time shall apply.
Unless otherwise provided by law, the Board of Directors shall call Shareholders' Meetings within thirty days of the receipt of such a request if submitted by Shareholders representing at least one-twentieth of ordinary shares. Such requests shall be sent to the Chairman of the Board of Directors by registered mail and shall contain a detailed list of the items to be added to the agenda and of the petitioners, attaching a copy of suitable certification of the ownership and the number of shares issued by authorised intermediaries.
The ordinary Shareholders' meeting shall resolve on the matters reserved to it by law or the articles of association as well as on the authorisations to the Directors for carrying out actions with respect to transactions with related parties, pursuant to article 2364, paragraph 1, number 5 of the Italian Civil Code, in accordance with the provisions of laws and regulations in force from time to time.

Art. 11 Participation and Representation in the Shareholders' Meeting

Under the conditions indicated below, voting rights are granted to holders of ordinary shares and, exclusively as far as the Meeting for the appointment of Directors is

concerned, and in any case within the limits further detailed in article 17 below, holders of PFIs as defined and governed by articles 26 and following of these articles of association.
Holders of voting rights may participate in the Shareholders' Meeting provided the Company has received within the terms of law the required communication from authorised intermediaries, pursuant to the provisions in force, on the basis of its own accounting entries relating to the closing of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first or single call.
Each share carries one vote.
Votes may also be cast by mail in accordance with the terms and procedures set out in the notice of call and using the mail ballot prepared and made available in conformity with the laws in force.
Mail ballots, together with a copy of the communication required by law for the purposes of participating in Shareholders' Meetings, must be delivered at the address indicated in the notice of call the day before the first or single call of the Shareholders' Meeting.
Without prejudice to legal provisions with respect to the appointment of proxies, holders of voting rights may appoint a proxy, in compliance with the applicable provisions.
The appointment of a proxy may be notified in electronic form, in accordance with the procedures indicated from time to time in the notice of call, through a specific section of the Company's website or through a message sent to the certified email address indicated in the notice of call.
The company may designate a person whom shareholders or holders of PFIs may appoint as a proxy to represent them in the Shareholders' Meeting pursuant to article 135 undecies of legislative Decree 58/1998, disclosing this information in the notice of call of the Meeting.

Art. 12. Chairman of the Shareholders' Meetings

Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, the most senior Deputy Chairperson present or the Chief Executive Officer or the most senior of the Directors present.
It is the responsibility of the Chairman of the Shareholders' Meeting to verify the ordinary and extraordinary Shareholders' Meetings are validly held, ascertain the identity and legitimacy of attendees, ensure the business of the meeting is conducted in an orderly manner; to direct and regulate the discussion, with the power to determine the length of the interventions of each person entitled to speak; to determine the order and method of voting, ascertain the result of voting and announce it, and ensure it is recorded in the minutes.
The Chairman may authorise Group Executives and employees to participate in the Meeting.
Attendees with voting rights, joint representatives of holders of saving shares, bondholders and holders of financial instruments may request to speak on the matters being discussed to provide observations and information and to make proposals. Such request may be made until the Chairman declares the discussion on the relevant matter closed.
The Chairman may adjourn the meeting as and when he sees fit.
The Chairman shall be assisted by a Secretary designated by him. In the event that the minutes are taken by a Notary, the Notary shall be designated as the Secretary.

Art. 13. Minutes of the Shareholders' Meeting

Resolutions passed by the Shareholders's Meeting must be recorded in the minutes and signed by the Chairman as well as the Secretary or Notary, and be prepared in accordance with the laws in force.
The interventions of each person entitled to speak relevant to the Agenda shall be briefly recorded in the minutes. In the event it is requested to record the interventions in full, the

person entitled to speak shall provide a text prepared for this purpose, which will be entered in the minutes.
The persons entitled to vote may submit questions prior to or during the Shareholders' Meeting; the Company reserves the right to respond prior to or during the Meeting.
The legitimation to exercise this right shall be confirmed by communication made to the Company by the intermediary authorised to keep the accounts in accordance with the law.
The Secretary or Notary shall be assisted by a person of his/her choice and may only use recording equipment for his/her own personal use in preparing the minutes.
The copies of and extracts from the minutes that are not notarised shall be certified as true by the Chairman of the Board of Directors or his representative.

CHAPTER IV

Art. 14. Management of the Company

The Board of Directors shall have the widest powers for the ordinary and extraordinary organisation, management and administration of the Company in order to achieve the corporate purpose, with the sole exception of powers reserved by law to the Shareholders' Meeting.
The Board of Directors may pass all resolutions concerning mergers and demergers in compliance with articles 2505, 2505 *bis* and 2506 *ter* of the Italian Civil Code, reduce the share capital in the event of the withdrawal of a Shareholder, and amend these Articles of Association as required by the law.
The Board of Directors shall adopt procedures that ensure the transparency as well as substantial and procedural fairness of transactions with related parties, in accordance with applicable laws. There may be exceptions to the procedures for those operations – made directly or through subsidiaries – that are urgent, or in any case provided for by applicable laws, as well as specific procedures for passing resolutions.
The Board of Directors may, within the limits established by law, establish committees and determine their responsibilities, powers and internal regulations, as well as delegate powers to individual members, determining the limits and methods for exercising such powers, and may reserve for itself transactions otherwise covered by powers already delegated.
Directors vested with powers and prerogatives, as well as those participating in any Committees, shall report on a quarterly basis to the Board of Directors and Board of Statutory Auditors on the Company's operations and outlook, as well as on transactions carried out by the Company or its subsidiaries of significant importance in terms of operating results, cash flows and financial position, due to their size or nature. They shall also report on a quarterly basis on transactions in which they have an interest, either on their own account or on behalf of third parties, or which are under the influence of the entity exercising direction and coordination.
When required by specific circumstances, the reports may also be made in writing.
The Board of Directors may grant powers and prerogatives to carry out specific acts to employees and third parties in general.

Art. 15. Executive Committee

The Board of Directors may, with the exception of powers expressly reserved to itself, delegate its power to an Executive Committee consisting of three to five directors, including the Chairman, and determine its powers, responsibilities and procedures.
The Executive Committee may meet informally and pass resolutions also without meeting in person, voting by telephone or telegraph, and confirming it by letter or telex, which shall be kept in the Company's filings.
The standing members of the Board of Statutory Auditors shall attend the meetings of the Executive Committee.

Art. 16. Company positions

The Board of Directors shall elect its Chairman from among its members, and he shall be the Company's legal representative as required by article 20 below.
It may also appoint one or more Deputy Chairpersons and Chief Executive Officers, determining their powers, as well as confer specific powers and prerogatives on other individual Directors.
The Deputy Chairpersons shall substitute for the Chairman in his absence or impediment.
In the absence or impediment of the Chairman and the Deputy Chairpersons, the Board of Directors shall be chaired by another Director designated by the Board.
The Board of Directors shall appoint each year a Secretary, who is not required to be a member of the Board.
The Board of Directors shall, after having consulted the Board of Statutory Auditors, appoint and remove the Manager in charge of Financial Reporting, and shall determine his remuneration. The Manager in charge of Financial Reporting shall have interdisciplinary experience in business administration, finance and control, and meet also the integrity requirements for Directors.
The activities, functions and responsibilities of the Manager in charge of Financial Reporting shall be those provided for by the relevant regulations.
The Board of Directors shall determine the term of the appointment of the Manager and shall grant him adequate powers and means to carry out his duties.

Art. 17 Appointment and composition of the Board of Directors, term of office of its members

The Board of Directors is composed of 10 to 13 directors appointed by the Shareholders' Meeting.
Pursuant to the provisions on legitimation set forth in these articles and the law, the holders of PFIs are entitled to speak and vote at the Shareholders' Meeting called for the appointment of Directors exclusively in relation to (i) the fixing of the number of members of the Board of Directors, which will be binding until the Shareholders' Meeting resolves otherwise (ii) voting the lists, pursuant to article 17, (iii) any replacement of a Director from lists submitted by holders of PFIs, and finally (iv) the determination of the remuneration, if submitted to the decision of the Shareholders' Meeting pursuant to article 21 below.
Directors' terms of office may not exceed three years, and they may be re-elected.
The Board of Directors must include the minimum number of independent Directors meeting the requirements as provided for by law. Any independent Director no longer qualifying as independent subsequent to appointment shall provide immediate notice to the Board of Directors and resign his office. A nominee from lists submitted by holders of PFIs must necessarily meet the requirements of independence pursuant to article 148, paragraph 3 of Legislative Decree 58/1998.
If for any reason one or more Directors cease to hold office during the year, they shall be replaced as required by law.
In the event that the majority of Directors cease to hold office, the entire Board of Directors shall be deemed removed, and a Shareholders' Meeting shall be called without delay for the appointment of a new Board of Directors.
The procedure to be adopted by the Shareholders' Meeting for the appointment of a Board of Directors shall be the following:
a) lists containing the names of the nominees for the position of Director shall be submitted to the address indicated in the notice of call of the Shareholders' Meeting for the appointment of the Board of Directors at least 25 (twenty-five) days before the date of the Shareholders' Meeting held in first or single call. The list will be made available to the general public at the Company's registered office, on the Company's website, and at the

Italian stock exchange, at least 21 (twenty-one) days before the date of the Shareholders' Meeting held in first or single call.
The lists must be accompanied by:
1. information on the identity of the holders of voting rights that have submitted the lists, indicating the total percentage of shares held.
The ownership of the percentage of shares required, pursuant to the above, for the purposes of submitting the list is certified, also subsequent to the filing of the list, provided that it is done at least 21 (twenty-one) days before the date set for the Shareholders' Meeting held in first or single call, through communication to the Company by the intermediary authorised to keep the accounts pursuant to the law.
2. a declaration by Shareholders other than those holding, individually or jointly, a controlling interest or the relative majority of shares, attesting to the absence of relationships as described in applicable regulations;
3. exhaustive information on the personal and professional characteristics of nominees, in addition to a declaration by each nominee that he or she accepts the nomination and attests, under his/her own responsibility, to the absence of any reason that could cause the nominee to be ineligible or incompatible for appointment, as well as to the meeting of the requirements provided for by the laws in force and these Articles of Association for their respective positions, indicating whether or not they qualify as independent pursuant to article 148, paragraph 3 of Legislative Decree 58/1998;
b) Shareholders or holders of PFIs may not submit nor vote for more than one list, either directly or indirectly through an intermediary or trust company. Those belonging to the same group and those who have entered into a Shareholders' agreement concerning the Company's shares may not submit nor vote for more than one list, either directly or indirectly through an intermediary or trust company. Holders of PFIs can vote only for lists submitted holders of PFIs, and shareholders can vote only for lists submitted by shareholders. Nominees appearing on more than one list shall be declared ineligible;
c) the following persons are entitled to submit a list: (i) those who, alone or together with others, represent a percentage of share capital - expressed in ordinary shares carrying voting rights at Shareholders' Meetings called for the appointment of members of management bodies -equal to the highest percentage indicated in the relevant regulations issued by CONSOB, and (ii) those who, alone or together with others, represent a percentage of PFIs (out of the overall number of PFIs outstanding) equal at least to the percentage required for shareholders to submit lists.
The percentage of shares required for submitting lists shall be indicated in the notice of call of the Meeting.
Only the lists submitted by those who filed the documentation required in a timely fashion within the term as per paragraph a) of this article shall be deemed valid. In the event a Meeting is adjourned to the second call, the lists filed shall be deemed valid;
d) the nominees, except for the last two, of the list that will receive the highest number of votes shall be appointed as Directors, as well as (i) the first nominee of the list submitted by the minority shareholders that received the highest number of votes and that is not connected in any way, even indirectly, to the persons that submitted or voted for the list that ranked first in terms of the number of votes, and furthermore (ii) the first nominee of the list submitted by the holders of PFIs that received the highest number of votes; without prejudice to the fact that, for the purposes of the division of the directors to be appointed, the lists submitted by shareholders who did not receive a percentage of votes at least equal to half of the percentage required for the submission of lists, as indicated above, are not taken into account;
e) in the event of a tie vote between two or more lists, the nominees in the list submitted by the holders of voting rights with the highest percentage of shares at the time the list

was submitted or, in the alternative, the largest number of holders of voting rights, shall be appointed as Directors;
f) in the event that only one list is submitted, the nominees in said list shall be appointed as Directors in the order they are listed;
g) in the event that no lists are submitted, the Shareholders's Meeting shall appoint the Directors with the majorities required by law.
The replacement of Directors appointed from the lists submitted by shareholders will take place according to the provisions of the law, and in any case the slate voting system shall not apply. Conversely, as for the replacement of the Director appointed from lists submitted by holders of PFIs, the co-optation system as set forth in article 2386 of the Italian Civil Code shall not apply, and the Meeting shall be called without delay to resolve by relative majority of the votes cast by the holders of PFIs.

Art. 18. Meetings of the Board of Directors

The Board of Directors shall meet as and when deemed necessary by the Chairman or the Executive Committee, if appointed, and with a minimum of four meetings per year.
Directors shall be notified by letter or telex sent to their home address at least five days prior to the meeting. In the event of extreme urgency, the notice may be sent only two days in advance.
Notices must indicate the agenda and the time and place of the meeting. Meetings may also be held in a location other than the registered office provided that it is in Italy or another European Union member state.
The standing members of the Board of Statutory Auditors shall attend the meetings of the Board of Directors.

Art. 19. Validity of Board of Directors Meetings

Only the resolutions passed with the majority of serving Directors in attendance and by absolute majority shall be valid.
In the event of a tie, the Chairman shall cast the deciding vote.
Meetings may be held by way of conference telephone as well as video conference, provided that all participants can be identified and are able to follow the proceedings and speak on the topics being discussed in real time. Should these conditions be met, the meeting shall be treated as taking place where the Chairman and the Secretary are.
Resolutions shall be recorded in the book of the minutes of the Board's meetings and signed by the Chairman and the Secretary. The minutes shall report the Directors attending the meeting.
The copies of and extracts from the minutes that are not notarised shall be certified as true by the Chairman of the Board of Directors or his representative.

Art. 20. Representation of the Company

The legal representative of the company in dealings with third parties and the courts shall be the Chairman of the Board of Directors, who shall have single signing authority, or his representative. Also without prior resolution of the Board, The Chairman shall have the powers to bring and defend legal actions in any court and in any jurisdiction, whether in Italy or abroad, including the Constitutional Court; to proceed to arbitration and contest requests for arbitration, either binding or non-binding; to file claims, lawsuits and complaints in criminal proceedings; to lodge claims, either ordinary or extraordinary, and request urgent and precautionary measures; to discontinue proceedings and to accept discontinuation of proceedings; to withdraw lawsuits and settle disputes, both in and out of court, appointing for this purpose a representative ad litem; and to appoint attorneys-in-fact and representatives in general, fixing their powers.
The other Directors shall represent the Company to the extent permitted by the powers conferred on them.

In the absence or impediment of the Chairman, Deputy Chairpersons, Chief Executives Officers or Executives, corporate deeds may be validly signed by two Directors.

Art. 21. Remuneration

The Board of Directors shall be entitled to a share in the Company's profit as set out in article 8 above; furthermore, the Shareholders' Meeting may determine a fixed annual salary for the members of the Board.

The Board of Directors shall, after having consulted the Board of Statutory Auditors, determine the remuneration of Directors with specific responsibilities.

CHAPTER V

Art. 22. Board of Statutory Auditors

The Board of Statutory Auditors supervises compliance with the law and these Articles of Association, as well as with the principles of good administration and, in particular, the adequacy of the Company's organisational structure as far as the internal control system and the administration and accounting system are concerned, as well as the latter's reliability to correctly represent operations, the effective implementation of the rules of corporate governance, the adequacy of instructions given to subsidiaries, and all other activites pursuant to the law. The Board of Statutory Auditors shall consist of three standing members and two alternate members.

In accordance with the provisions of laws and regulations in force, its members must meet the requirements of integrity and professionalism provided by applicable regulations.

Statutory Auditors shall be appointed for a term of three years and may be re-elected, unless otherwise provided by law. The Shareholders' Meeting shall determine their annual remuneration for their entire term of office.

The procedure to be adopted by the Shareholders' Meeting for the appointment of the Board of Statutory Auditors shall be the following:

a) lists containing the names of the nominees for the position of Standing and Alternate Auditor shall be submitted to the address indicated in the notice of call of the Shareholders' Meeting for the appointment of the Board of Directors at least 25 (twenty-five) days before the date of the Shareholders' Meeting held in first or single call. The list will be made available to the general public at the Company's registered office, on the Company's website, and at the Italian stock exchange, at least 21 (twenty-one) days before the date of the Shareholders' Meeting held in first or single call.

The lists must be accompanied by:

1. information on the identity of the Shareholders that have submitted the lists, indicating the total percentage of shares held.

The ownership of the overall percentage of shares is certified, also subsequent to the filing of the list, provided that it is done at least 21 (twenty-one) days before the date set for the Shareholders' Meeting held in first or single call, through communication to the Company by the intermediary authorised to keep the accounts pursuant to the law.

2. a declaration by Shareholders other than those holding, individually or jointly, a controlling interest or the relative majority of shares, attesting to the absence of relationships as described in applicable regulations;

3. exhaustive information on the personal and professional characteristics of nominees, in addition to a declaration by each nominee that he or she accepts the nomination and attests, under his/her own responsibility, to the absence of any reason that could cause the nominee to be ineligible or incompatible for appointment, as well as to the meeting of the requirements provided for by the laws in force and these Articles of Association for their respective positions;

b) in the event that only one list has been filed by the date of expiry of the term as per paragraph a) above, or only lists submitted by those who, in accordance with the

provisions of paragraph a) n. 2, are connected as described in the regulations in force, have been filed, it is possible to submit lists up to the third day following said date.
In the event envisaged by this paragraph b), the thresholds described in paragraph d) below shall be reduced by half;
c) a Shareholder may not submit nor vote for more than one list, either directly or indirectly through an intermediary or trust company. Those belonging to the same group and those who have entered into a Shareholders' agreement concerning the Company's shares may not submit nor vote for more than one list, either directly or indirectly through an intermediary or trust company. Nominees appearing on more than one list shall be declared ineligible;
d) those who, alone or together with others, represent a percentage of share capital - expressed in ordinary shares carrying voting rights at Shareholders' Meetings called for the appointment of members of control bodies - equal to the highest percentage indicated in article 147 ter, paragraph 1, of Legislative Decree 58/1998 in compliance with the relevant regulations issued by CONSOB, are entitled to submit a list.
The percentage of shares required for submitting lists shall be indicated in the notice of call of the Meeting.
Only the lists submitted by those who filed the documentation required in a timely fashion within the term as per the above paragraphs a) and b) shall be deemed valid. In the event a Meeting is adjourned to the second call, the lists filed shall be deemed valid;
e) the first two nominees of the list that will receive the highest number of votes and the first nominee of the list that received the highest number of votes among the lists submitted and voted by those not connected to the majority Shareholders pursuant to article 148, paragraph 2 of Legislative Decree 58/1998, shall be appointed as Standing Auditors;
The first nominee of the list that will receive the highest number of votes and the first nominee of the list that received the highest number of votes among the lists submitted and voted by those not connected to the majority Shareholders pursuant to article 148, paragraph 2 of Legislative Decree 58/1998, shall be appointed as Alternate Auditors;
In the event of a tie vote between two or more lists, the nominees in the list submitted by the Shareholders with the highest percentage of shares at the time the list was submitted or, in the alternative, the largest number of Shareholders, shall be appointed as Auditors;
f) the first nominee of the list submitted by the minority that received the highest number of votes shall be the Chairman of the Board of Statutory Auditors; in the event of a tie vote, the previous paragraph shall apply;
g) in the event that only one list is submitted, the first 3 (three) nominees shall be appointed as Standing Auditors and the next 2 (two) nominees as Alternate Auditors, in the order in which they appear in the list. The first nominee on the list shall be the Chairman.
The members of the Board of Statutory Auditors are required to comply with the limits on the cumulation of positions as provided by the applicable regulations.
In the event of death, resignation or removal of a Statutory Auditor, the first Alternate Auditor from the same list as the vacating Statutory Auditor shall take over. If the vacating Statutory Auditor is the Chairman of the Board of Statutory Auditors, the Alternate Auditor who took over from the vacating Statutory Auditor and belonging to the list elected by the minority shall act as Chairman until the next Meeting.
The above provisions concerning the appointment of Statutory Auditors shall apply also to the Shareholders' Meetings that are required by law to appoint the Standing and/or Alternate Statutory Auditors and the Chairman of the Board of Statutory Auditors as necessary to fill any vacancies following the replacement or removal of a member.

In the event that it is not possible to appoint a Board of Statutory Auditors or make other appointments and/or fill any vacancies in accordance with the above, the Shareholders' Meeting shall proceed in accordance with law.

Art. 23. Meetings of the Board of Statutory Auditors

The Board of Statutory Auditors shall meet every ninety days. Meetings may be held by way of conference telephone as well as video conference, provided that all participants can be identified and are able to follow the proceedings and speak on the topics being discussed in real time.

The Board of Statutory Auditors shall be validly held with the majority of Auditors in attendance and resolutions shall be passed by absolute majority of those present.

Art. 24 Audit of the accounts

The Company's accounts shall be audited by auditors or independent auditors appearing in the register kept pursuant to and in accordance with Legislative Decree 39/2010.

The independent auditors charged with carrying out the audit of the accounts shall be appointed by the Shareholders' Meeting, which fixes also their fee, following a justified proposal of the Board of Statutory Auditors, and their appointment may be revoked in compliance with the legal provisions in force.

The term of the appointment shall be determined by the relevant provisions and may be renewed in compliance therewith.

CHAPTER VI

Art. 25. Financial year

The Company's financial year ends on 31 December of every year.

SECTION VI-BIS PARTICIPATORY FINANCIAL INSTRUMENTS

Art. 26 Issuance

On 9 May 2012, the Company resolved to issue, pursuant to articles 2346, paragraph 6 and 2351, paragraph 5 of the Italian Civil Code, a maximum number of 254,864,115 participatory debt financial instruments, in a single issue, named "2012-2017 Intek Group S.p.A. Participatory Debt Financial Instruments" (hereinafter the "PFIs"), each with a par value of Euro 0.42, and therefore for a total maximum par value of Euro 107,042,928.30, with the characteristics specified in these articles.

The PFIs will be issued into the centralized administration system at Monte Titoli S.p.A. in dematerialized form, pursuant to Legislative Decree 58/1998 and the relevant implementing regulations. Therefore, any transaction involving PFIs (including transfers and the establishment of restrictions) as well as the exercise of the equity and administrative rights attributed to the respective holders pursuant to these articles, can be carried out exclusively in compliance with the provisions of the law the regulations in force from time to time and applicable to the financial Instruments issued into the centralized administration system at Monte Titoli S.p.A. in dematerialized form.

The PFIs will be admitted to trading on the *Mercato Telematico delle Obbligazioni e dei Titoli di Stato*, which is organized and managed by Borsa Italiana S.p.A.

Art. 26-bis Contribution

Each PFI is issued and subscribed against a contribution (the "Contribution") in favour of the Company of 1 (one) ordinary Intek Group S.p.A. share without par value used to accept the Global Voluntary Public Exchange Offer of the Company pursuant to articles 102 and 106, paragraph 4 of Legislative Decree 58/1998, concerning 254,864,115 ordinary treasury shares (the "Offer"). The issue and subscription of the PFIs will take place on the date of settlement of the consideration for the Offer (the "PFIs' Interest Commencement Date"), at a ratio of 1 (one) PFI with a par value of Euro 0.42 for each 1 (one) ordinary Intek Group S.p.A. share used to accept the Offer and purchased by the Company, for a maximum par value of Euro 107,042,928.30.

The par value of each PFI is equal to Euro 0,42 and corresponds to the value attributed as part of the Offer to what constitutes the Contribution, i.e. each ordinary Intek Group S.p.A. share.
Subsequently, and in light of the obligation to repay the value of the Contribution with the terms and procedures established in article 26-quater of these articles, the Company will recognise a liability for the Contribution equal to the overall value of the PFIs, pursuant to the applicable accounting standards, which will be issued on the PFIs' Interest Commencement Date.

Art. 26-ter Duration

The PFIs have a duration of five years (that is, 60 months) starting from the PFIs' Interest Commencement Date and up to the corresponding day of the 60^{th} month subsequent to the PFIs' Interest Commencement Date (the "PFI's Maturity Date").
Contractually, for the purposes of attributing equity rights to the holders of PFIs, the "PFIs' Interest Commencement Date" correspond to the Voluntary Offer's settlement date.

Art. 26-quater Equity rights

The PFIs bear an annual fixed rate of interest of 8% (eight percent) (the "Nominal Interest Rate") from the PFIs' Interest Commencement Date (included) and up to the PFIs' Maturity Date (not included).
Interest will be paid in arrears each year, that is at the end of every 12 (twelve) months starting from the PFIs' Interest Commencement Date.
The last payment will take place on the PFIs' Maturity Date.
The amount of each coupon will be calculated by multiplying the nominal amount of each PFI, equal to Euro 0.42, by the Nominal Interest Rate.
Interest will be calculated on the basis of the actual days of the relative coupon period and the number of calendar days in a year (365, or in a leap year, 366), according to the Act/Act unadjusted convention, as understood in the market.
If the coupon date does not fall on a Business Day according to the "Target" calendar, in force from time to time ("Business Day"), it will be adjusted to the next Business Day, and this adjustment shall not result in any additional amount becoming due to the holders of PFIs or any change in subsequent coupon dates.
"Coupon Period" means the period between a coupon date (included) and the next coupon date (excluded), that is, as far as the first coupon period is concerned, the period between the PFIs' Interest Commencement Date (included) and the first coupon date (excluded), without prejudice to the fact that when a coupon date falls on a date that is not a Business Day and therefore it is adjusted to the next Business Day, this adjustment will not be taken into account for the purpose of calculating of the actual days of the relevant coupon period (Following Business Day Convention - unadjusted).
PFIs will be repiad at par, and therefore at 100% of their par value, in a lump sum, on the PFIs' Maturity Date.
If the PFIs' Maturity Date does not fall on a Business Day, it will be adjusted to the next Business Day, and this adjustment shall not result in any additional amount becoming due to the holders of PFIs.
The PFIs will cease to bear interest on the PFIs' Maturity Date.
The payment of interest and the repayment of the par value of the PFIs will take place exclusively through the authorized intermediaries registered with Monte Titoli S.p.A.
The rights of the holders of PFIs will be barred by statute of limitations as follows: as for interest, five years after the date on which it became payable; as for the repayment of the par value, ten years after the date on which the PFIs became repayable.
The PFIs are not subordinated to other present or future unsecured debts of the Company.

Art. 26-quinquies Administrative rights

Collectively and up to the PFIs' Maturity Date, the holders of PFIs have the right to appoint, pursuant to articles 2346, paragraph 6 and 2351, paragraph 5 of the Italian Civil Code, a member of the Board of Directors of the Company who meets the independence requirement under article 148, paragraph 3 of Legislative Decree 58/1998 (the "Category Director"). The appointment shall be made, as provided by article 17 of these articles of association, at the Shareholders' Meeting held for the appointment of the Board of Directors.

Without prejudice to the rights to speak and vote on the appointment of the Category Director, the holders of PFIs have no other right to speak nor vote at the Shareholders' Meeting of the Company, nor any other administrative right not expressly provided by the laws or these articles of association.

Art. 26-sexies Meeting of PFIs

In order to exercise their administrative rights, without prejudice to the appointment of the Category Director, and for the purpose of protecting their own interests, the holders of PFIs meet in the Meeting of PFIs.

The Meeting of PFIs resolves upon:

(1) the appointment and removal of the joint representative described in article 26-septies of these articles;

(2) amendments to these articles relating to the administrative or equity rights of holders of PFIs;

(3) settlement proposals;

(4) the establishment of a fund for the expenses required for protecting their common interests and the relevant reporting;

(5) other items of interest to the holders of PFIs.

Each PFI with a par value of Euro 0.42 carries one vote in the Meeting of PFIs.

To the extent that they are compatible and without prejudice to the paragraphs that follow, the provisions for the extraordinary Shareholders' Meetings of the Company, including the provisions of the law and the regulations in force from time to time regarding the legitimation for speaking and voting, as well as article 11 of these articles, as far as the exercise of the rights of holders of PFIs at the Meetings of PFIs is concerned, shall apply to the Meetings of PFIs.

The favourable vote of the majority of the PFIs in any call for the resolutions as per point (2) above continues to be required.

The Meeting of PFIs can be called by the Board of Directors as well as by the joint representative of the PFIs, and in any other case envisaged by the law.

The amendments to the articles of association as described in point (2) above shall not become effective until the Meeting of PFIs approves them.

Art. 26-septies Joint representative

The Meeting of PFIs shall appoint the joint representative of the PFIs, who will have the characteristics, duties and powers established, mutatis mutandis, by articles 2417 and 2418 of the Italian Civil Code and these articles.

Art. 26-octies Absence of rights of withdrawals and other rights

It is understood that holders of PFIs have no rights of withdrawal in relation to any resolution passed by the Company, including with reference to resolutions subsequent to which non-consenting shareholders are entitled to withdraw pursuant to the law or the articles of association.

It is also understood that PFIs do not carry any different and/or further rights than those specifically and expressly provided by the law and these articles.

Art. 26-novies Tax treatment

The interest, premiums and other income relating to PFIs are subject to the tax treatment of bonds issued by listed companies. In particular, the interest relating to PFIs is subject to

a substitute income tax, which currently stands at 20%, pursuant to Legislative Decree 239 of 1 April 1996 as amended and supplemented. The substitute tax shall not apply if the beneficiary earns income from a business other than a sole proprietorship; in this case, interest is accounted for when calculating the tax base of the corporate income tax.
Non-resident investors, should the conditions set forth by articles 6 and 7 of Legislative Decree 239 of 1 April 1996 be met, may be exempt from the substitute tax.

Art. 26-decies Early repayment and repurchase of PFIs

The company reserves the right to repay the PFIs early, in full or in part, through a notice published pursuant to article 26-undecies at least 20 (20) Business Days prior to the early repayment date, which may be carried out starting from the end of the first year of the PFIs' Interest Commencement Date. In the event of early repayment, the PFIs will be repayed at par. The PFIs will cease to bear interest from the early repayment date.
At any time, the company may purchase PFIs at the market price or otherwise. If the purchases are made through a public offering, the offer must be made to all holders of PFIs under equal conditions. At the discretion of the Company, PFIs can be held, resold or cancelled. As long as the PFIs remain in the possession of the Company, the provisions governing treasury shares as per article 2357-ter, paragraph two of the Italian Civil Code shall apply, mutatis mutandis.

Art. 26-undecies Miscellaneous

All the communications of the Company to the holders of PFIs shall be made through notices published on the Company's website and, where required by the laws applicable from time to time, in a national newspaper. Furthermore, the communications shall also be made in accordance with the procedures of the reference market.

CHAPTER VII

Art. 27. Rights of Joint Representatives

By means of written communications and/or special meetings with Directors at the Company's offices, the Board of Directors shall properly inform the Joint Representatives of holders of savings shares, bondholders and holders of other non-participatory financial instruments about the Company's operations that may influence the prices of the various classes of shares, bonds and other financial instruments outstanding.

CHAPTER VIII

Art. 28. Duration of the Company

The duration of the Company shall be until 31 December 2050 and may be extended one or several times by resolution of the Shareholders' Meeting.
A resolution approving the extension does not represent a cause of withdrawal of shareholders pursuant to art. 2437 of the Italian Civil Code.

CHAPTER IX

Art. 29. Liquidation of the Company

The Company shall be liquidated in accordance with law.
On liquidation, preference shall be given to savings shares in the repayment of the share capital to the amount of € 1.001 (one euro and zero zero one cent) per share. in the event of a share grouping or split (as well as of other equity transactions making it necessary in order to maintain the rights of Holders of Savings Shares the same as if they had a par value), said fixed amount per share shall be modified accordingly.

PROVISIONAL REGULATION I

For the appointment of the first Category Director, the provisions set forth in these articles for his replacement shall apply, mutatis mutatinds, where necessary.

INTEK GROUP

Report on Remuneration
(pursuant to article 123 bis of Legislative Decree 58 dated 24 February 1998)
(approved by the Board of Directors on 27 March 2013)

Year 2012

www.itkgroup.it

Contents

Foreword

SECTION 1
Introduction

Dear Shareholders,

The issue concerning the remuneration of Directors and Statutory Auditors as well as of Executives with strategic responsibilities was recently subject to particular attention and significant legislative measures aimed at increasing:

- participation of shareholders in fixing remuneration;
- transparency in terms of these policy contents and their implementation.

As far as the legislative framework is concerned, it should be noted that Legislative Decree 259 of 30 December 2010 amended Legislative Decree 58 of 24 February 1998 (hereinafter "TUF") by introducing article 123 *ter* which provides for the preparation of the "Report on Remuneration”.

Therefore, 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 Executives with strategic responsibilities 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, General Managers and Executives with strategic responsibilities, including through the use of specific tables.

The Report includes all information on the remuneration of Directors, General Managers, Executives with strategic responsibilities and of the Board of Statutory Auditors as well. A "compensation plan" pursuant to article 114 *bis* of TUF based on financial instruments provided to executive members of the Board of Directors and Group employees is hereby included as well.

As the Company complies with the Corporate Governance Code (hereinafter the "Corporate Governance Code" or the "Code") approved by the Corporate Governance Committee, this report has been prepared in compliance with article 6 of the aforementioned code as well.

Following the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (III edition, February 2012) 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 accordance with the aforementioned indications, the "Report on Corporate Governance" and the "Report on Remuneration" are also available at the Company’s registered offices and in the "Remuneration of Directors" section of the website www.itkgroup.it. Due to their contents and the overlapping information, they should be read and examined jointly.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 27 March 2013.

* * * *

SECTION 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 management and 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.

1. The Intek Group Governance Model

1.1 Corporate bodies

On 28 June 2012, the INTEK Group ordinary Shareholders’ Meeting appointed the Board of Directors and the Board of Statutory Auditors for the period from 2012 to 2014 through a list-based voting system. Composition of such bodies is as follows on the date of this Report:

Director	Position held in INTEK Group	Positions held in Committees	
		Remuneration Committee	Control and Risk Committee
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Riccardo Garrè	**Executive Director**		
Italo Romano	**Executive Director**		
Mario d’Urso	**Independent Director**	√	√

Marcello Gallo	**Director**		
Giuseppe Lignana	**Independent Director**	√	√
Gian Carlo Losi	**Director**		
Alberto Pirelli	**Independent Director**	√	√

The members of the German subsidiaries KME AG's *Vorstand* are considered to be Executives with strategic responsibilities of the INTEK Group. On the date of this report, these members, Diva Moriani, Riccardo Garrè and Italo Romano were also appointed as Executive Directors of INTEK Group S.p.A.

1.2 The corporate bodies involved in the preparation of remuneration policies and relevant procedures

The remuneration policy for Executive Directors and Executives with strategic responsibilities is submitted to the Board of Directors by the Remuneration Committee, which consists solely of Independent Directors, with a favourable opinion from the Board of Statutory Auditors. After examining and approving the remuneration policy, the Board of Directors submits it to the Shareholders' Meeting for approval.

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 Executives with strategic responsibilities.

Within the remuneration policy implementation process, the INTEK Group by monitors and examines 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 decisions.

The remuneration policy is prepared in compliance with the recommendations provided by article 6 of the Corporate Governance Code for Listed Companies approved by Borsa Italiana S.p.A. If the current remuneration policy differs from the code provisions, explanation is given based on the "comply or explain" criterion.
This Report on Remuneration has been prepared pursuant to the CONSOB provisions on the implementation of article 123-TER of the Legislative Decree 58/1998, regarding transparency in the remuneration of the Directors of listed companies.

1.3 The Remuneration Committee: role, composition and activities

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

The Directors' independence is assessed upon appointment by the Board of Directors, in agreement with the Board of Statutory Auditors, and then verified in each year by the Board of Directors meeting to examine the draft financial statements for the previous year.

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 Executives with strategic responsibilities working in Group's subsidiaries (pursuant to article 2359 of the Italian Civil Code), 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 Articles of Association 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 in financial issues, the Committee has decided to appoint 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 2012, the Committee met twice as described in the table below:

Members of the Committee	Number of attendances at Committee meetings in 2012	Percentage
Mario d'Urso	2	100%
Giuseppe Lignana	2	100%
Alberto Pirelli (Chairman)	2	100%

2. General Remuneration Policy Principles

2.1 The objectives of the remuneration policy and its changes

The remuneration policy is an important tool to create sustainable corporate value. It contributes to 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;

- 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, with particular attention paid to risk management;

- 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 2013 by the Board of Directors.

Generally, the remuneration of the Directors and Executives with strategic responsibilities 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.

2.2 The remuneration policies for Directors and Executives with strategic responsibilities

2.2.1 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 Articles of Association, 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 to provide Directors with a fixed compensation.

In the event that payment pursuant to article 8 of the Articles of Association is granted, the amounts received as fixed compensation are considered as an advance of the aforementioned payment.

2.2.2 Executive Directors and General Managers

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 Executives with strategic responsibilities.

The main role of the Company's Chairman is to create value in the medium to long term for INTEK Group's Shareholders. This translates into a strategic guidance and control of Group Companies, allowing subsidiaries to define the short-, medium- and long-term objectives.

The remuneration of the other Executives with strategic responsibilities is composed of:

- fixed remuneration;
- annual variable remuneration linked to the achievement of pre-defined and measurable objectives (as described in paragraph 3.2 below);
- additional benefits (as described in paragraph 3.4 below).

Variable long-term remuneration (Stock Option Plan) is defined in favour of the Deputy Chairwoman.

The Company does not usually enter into agreements with the Executives with strategic responsibilities 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.

3. The components of top management’s remuneration

3.1 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.

3.2 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 Executives with strategic responsibilities’ 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.
Taking into account the Company’s new structure following the merger, effective 1 January 2013, the Chairman no longer receives a variable remuneration – previously up to Euro 450,000.
For the Deputy Chairwoman and other Executive Directors who are also members of the KME A.G.’s *Vorstand,* a variable remuneration is 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%);
- annual operating profitability parameters set according to the multi-annual business plans.

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 multiple-year 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 valuation at fair value 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.

3.3 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.

3.3.1 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 Borsa Italiana S.p.A.'s Corporate Governance Code on the remuneration of Executive Directors and Executives with strategic responsibilities, since the stock option plans are defined by the aforementioned code as an instrument suitable to align the interests of Executive Directors and Executives with strategic responsibilities with those of Shareholders.

3.3.2 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 within the Company on the Grant Date are also among the Beneficiaries of the Plan.

The number of options to be assigned to each Beneficiary is set by the Board, after hearing the opinion/proposal of the Remuneration Committee, based on the organizational position, responsibilities and professional skills of each of them within the Group organizational structure.

3.3.3 Exercise of Options granted

After maturity, the Options can be exercised, fully or in part, 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 (i.e. as from 21 December 2015).

The Plan does not provide for specific vesting conditions related to performance since the stock appreciation can be considered as the most significant performance condition for a holding company.

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. The Chairman Vincenzo Manes was provided with lodging as well.
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 compensation in case of death or permanent disability are also effective.

3.5 The policy concerning Directors' severance indemnity in case of resignation, dismissal or termination of employment after a takeover bid

On 14 March 2008 the Board of Directors 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. 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 Company's relevant sector) while also achieving a balanced income/equity ratio again after the serious crisis in 2004.
Due to the Company's position as holding company following the merger, on 19 December 2012 after hearing the Remuneration Committee and the Board of Statutory Auditors and supported by the Chairman, the Board of Directors decided to stop the annual increase of the Directors' severance indemnity; concurrently, it also resolved that the severance indemnity accrued shall be made available to each beneficiary and shall be paid, net of taxes, by 30 June 2013. The total amount accrued as at 31 December 2012 was Euro 2,409,795.09.

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 Company and Directors that provide for indemnity payments in the event of resignation 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 compensation/indemnity 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 severance indemnity 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 30 April 2013 in Milan, Via Filodrammatici n. 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 aforementioned legal provisions."

Milan, 27 March 2013

Board of Directors

SECTION 2

Part one: Information on the remuneration items

2.1. Board of Directors

a) Remuneration as per the Company Articles of Association and following decision by the Shareholders' Meeting

Based on article 8 of the Company Articles of Association, 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 compensation; Directors with specific powers may receive a specific additional compensation as well, following decision of the Board of Directors, after hearing the Board of Statutory Auditors.

The annual fixed compensation 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 20 June 2012.

In the event that payment pursuant to article 8 of the Articles of Association is granted, the amounts received as fixed compensation are considered as an advance of the aforementioned payment.

It should be notices that the six members of the aforementioned committees are Non-Executive and Independent Directors.

b) Remuneration of Directors with specific powers.

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors; the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani and the two General Managers, Riccardo Garrè and Italo Romano qualify as Executive Directors.

Since the Deputy Chairwoman Diva Moriani and the Executive Directors (Riccardo Garrè and Italo Romano) are also members of the KME A.G.'s *Vorstand,* in addition to the fixed component they also receive a variable compensation 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.

c) Remuneration of Non-Executive Directors within Committees.

The remuneration of Non-Executive Directors is supplemented due to their involvement in the Committees.

The compensation 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; Director Gian Carlo Losi does participate in such plan in his capacity as Group Manager.

d) Remuneration of Executives with strategic responsibilities and other Directors.

The members of the KME A.G.'s *Vorstand* (who are also Executive Directors of INTEK Group S.p.A.) are considered as Executives with strategic responsibilities. For information regarding their remuneration reference should be made to the paragraphs above.

Pursuant to article 7 of the Code, we hereby specify that:

- the Head of internal control does not receive any specific fixed compensation for carrying out his duties;
- the Manager in charge of financial reporting receives a compensation decided by the Board of Directors, after hearing the Remuneration Committee.

2.2 Stock option plan

2.2.1 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 ordinary shares arising from the share capital increase resolved on 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 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 under 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 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 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 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 achieve specific performance levels and to keeping 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.

2.2.2 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 Vincenzo Manes – Deputy Chairman no. 14,500,000 options
- to Diva Moriani – Deputy Chairwoman no. 9,000,000 options
- to Gian Carlo Losi – Director/Executive no. 2,000,000 options

The Board reserved the right to subsequently grant the remaining options.

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of INTEK Group S.p.A. ordinary shares at the price of Euro 0.295 per share:

- 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.

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 8 December 2010; in the case of early exercise, the shares subscribed and/or purchased will be subject to a twenty-four month lock-up in compliance with the incentive goals of the Plan.

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 shares to Mr. Roberto De Vitis - Manager of the Company (in charge of the corporate and legal departments);
- 1,000,000 shares 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 S.p.A. ordinary shares at the price of Euro 0.326 per share:

- 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 Consolb.

2.3 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 duration 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 Directors in the Report on Corporate Governance.

Part two: Tables

2.4.1 Compensation paid to Directors

The breakdown of compensation paid to Directors in 2012, 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).

Compensation paid to Mr. Roelf Evert Reins, member of the KME A.G.'s *Vorstand* up to 30 September 2012 and the only Group's "Executive with strategic responsibilities" as defined by CONSOB in the aforementioned "Scheme no. 7-bis" is also shown in the table.

Compensation paid to members of the administrative bodies, general managers and other executives with strategic responsibilities

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which position was held	End of office	Fixed compensation	Fees For committee participa-tion	Non-equity variable compensation		Non-monetary benefits	Other compen-sation	Total	Fair Value of equity compensation	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Salvatore Orlando (*)	Chairman	01/01/2012-18/08/2012		230,657 (1)				4,555		235,212		
Vincenzo Manes (**)	Chairman	01/01/2012-31/12/2012	approval of 2014 fin. stat.	864,243 (2)				20,209		884,452	257,496	
Diva Moriani	Deputy Chairwoman	01/01/2012-31/12/2012	approval of 2014 fin. stat.	479,707 (3)				2,752		482,459	159,825	
Riccardo Garrè	Director, General Manager	01/01/2012-31/12/2012	approval of 2014 fin. stat.	704,593 (4)				12,378		716,971		
Italo Romano	Director, General Manager	01/01/2012-31/12/2012	approval of 2014 fin. stat.	657,097 (5)				11,953		669,050		
Vincenzo Cannatelli	Director	01/01/2012-28/06/2012		6,975 (6)						6,975		
Mario d'Urso	Director	01/01/2012-31/12/2012	approval of 2014 fin. stat.	15,819 (7)	14,019					29,838		
Marcello Gallo	Director	01/01/2012-31/12/2012	approval of 2014 fin. stat.	117,288 (8)						117,288		
Giuseppe Lignana	Director	01/01/2012-31/12/2012	approval of 2014 fin. stat.	17,019 (9)	14,019					31,038		
Giancarlo Losi	Director	01/01/2012-31/12/2012	approval of 2014 fin. stat.	318,084 (10)				895		318,979	35,517	
Alberto Pecci	Director	01/01/2012-28/06/2012		6,375 (11)	3,188					9,563		
Alberto Pirelli	Director	01/01/2012-31/12/2012	approval of 2014 fin. stat.	14,019 (12)	10,832					24,851		
(I) Compensation in the company preparing the fin. statements				1,205,251	42,058			26,644		1,273,953	417,321	
(II) Compensation from subsidiaries and affiliates				2,226,625				26,097		2,252,722	35,517	
(III) Total				3,431,876	42,058			52,741		3,526,675	452,838	
Roelf-Evert Reins	Executive with strategic responsibilities (in office until 30/09/2012)			377,082				7,058		384,140		395,243
(I) Compensation in the company preparing the fin. statements												
(II) Compensation from subsidiaries and affiliates				377,082						377,082		395,243
(III) Total				377,082						377,082		395,243

(*) The Chairman Salvatore Orlando unexpectedly passed away on 18 August 2012
(**) The Deputy Chairman Vincenzo Manes was appointed Chairman on 14 September 2012

1) Euro 6,471 as fixed compensation decided by the Shareholders' Meeting, Euro 142,789 for standing as Chairman of Intek Group S.p.A., Euro 63,462 for the standing as Chairman of KME Italy S.p.A. and Euro 15,935 for being member of the Supervisory Board of KME A.G. The non-monetary benefits are paid for his position as Chairman of Intek Group S.p.A.
(2) Euro 14,019 as fixed compensation decided by the Shareholders' Meeting, Euro 725,000 for standing as Chairman of Intek Group S.p.A., Euro 102,724 for being member of the Supervisory Board of KME A.G.
Euro 22,500 in the month of December for the duties carried out within the Group referring to the merged company Intek S.p.A. The non-monetary benefits are paid for his position as Chairman of Intek Group S.p.A.
It should be noted that up to the end of November 2012, Mr. Manes received the amount of Euro 275,633 for standing as Chairman of the merged company Intek S.p.A., and for his duties in the subsidiaries.
(3) Euro 14,019 as fixed compensation decided by the Shareholders' Meeting, Euro 115,000 for standing as Deputy-Chairman of Intek Group S.p.A., Euro 12,861 for being member of the Supervisory Board of KME A.G.
Euro 108,493 for being member of the KME AG Vorstand, Euro 64,167 for his position as Manager Director of KME Partecipazioni S.p.A. up to 31 July 2012, Euro 104,167 for his position as manager of KME Italy S.p.A. from 1 August 2012, Euro 1,000 as a lump sum reimbursement of expenses from KME Italy S.p.A., Euro 10,000 in December 2012 for the duties carried out with the Group referring to the incorporated company Intek S.p.A.
Euro 50,000 are from remuneration provided by ErgyCapital S.p.A. It is hereby reiterated that Mrs. Moriani received Euro 235,970 for the duties carried out within the merged company Intek S.p.A. The non-monetary benefits are paid for the position as Deputy-Chairman of Intek Group S.p.A. and manager of KME Italy S.p.A.
(4) Euro 14,019 as fixed compensation decided by the Shareholders' Meeting, Euro 400,010 for the position as Manager of KME Italy S.p.A., Euro 4,525 as lump sum reimbursements from KME Italy S.p.A., Euro 286,039 for being member of the KME A.G.Vorstand. The non-monetary benefits are paid for the offices held in KME Italy S.p.A. and KME A.G.
(5) Euro 14,019 as fixed compensation decided by the Shareholders' Meeting, Euro 400,010 for the position as Manager of KME Italy S.p.A., Euro 3,660 as lump sum reimbursements from KME Italy S.p.A. Euro 239,408 for being member of the KME A.G. Vorstand. The non-monetary benefits are paid for the duties carried out in KME Italy S.p.A. and KME A.G.
(6) Euro 6,375 as a fixed compensation decided by the Shareholders' Meeting, Euro 600 as lump sum reimbursement of expenses due to his position as Director of Intek Group S.p.A.
(7) Euro 14,019 as a fixed compensation decided by the Shareholders' Meeting, Euro 1,800 as lump sum reimbursement of expenses due to his position as Director of Intek Group S.p.A. The remuneration for participation in Committees refers to the Remuneration Committee (Euro 7,009) and the Control and Risks Committee (Euro 7,010).
(8) Euro 14,019 as a fixed compensation decided by the Shareholders' Meeting, Euro 2,400 as lump sum reimbursement of expenses due to his position as Director of Intek Group S.p.A. Euro 26,768 for being member of the Supervisory Board of KME AG, Euro 74,101 in the month of December 2012 for the duties carried out within the Group referring to the merged company Intek S.p.A.. It should be noted that until the end of November 20102, Mr. Gallo received Euro 299,939 for the duties carried out in the merged company as well as in the companies belonging to the Intek S.p.A. Group.
(9) Euro 14,019 as a fixed compensation decided by the Shareholders' Meeting, Euro 3,000 as lump sum reimbursement of expenses due to his position as Director of Intek Group S.p.A. Remuneration for participation in Committees refer to the Remuneration Committee (Euro 7,009) and the Control and Risks Committee (Euro 7,010).
(10) Euro 14,019 as a fixed compensation decided by the Shareholders' Meeting, Euro 1,200 as lump sum reimbursement of expenses due to his position as Director of Intek Group S.p.A. Euro 33,570 for being member of the BoD of Intek Group S.p.A., Euro 204,700 for the position as Director of KME Italy S.p.A. and Euro 595 for lump sum reimbursement of expenses, Euro 64,000 for his position as Chairman of KME Partecipazioni S.p.A. The non-monetary benefits were provided to him in his capacity as Director of KME Italy S.p.A.
11) Euro 6,375 as a fixed compensation decided by the Shareholders' Meeting, Euro 3,188 for being member of the Control and Risk Committee up to 28 June 2012.
12) Euro 14,019 as a fixed compensation decided by the Shareholder's Meeting paid to Pirelli Tyre S.p.A, as was the remuneration of Euro 7,010 for participation in the Remuneration Committee and Euro 3,822 for participation in the Control and Risks Committee.

2.4.2 *Stock Options*

The breakdown of the “KME 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 executives with strategic responsibilities

			Options held at the start 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 pertaining to 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	Position	Plan	Number of options	Exercise price	Possible exercise period (from-to)	Number of options	Exercise price	Possible exercise period (from-to)	Fair value at the grant date	Grant date	Market price of underl. shares at the exercise date	Number of options	Exercise price	Market price of underl. shares at the exercise date	Number of options	Number of options	Fair value
Vincenzo Manes	Chairman	2010/2015	14,500,000	0.295	Oct.2011 Dec.2015	-	-	-	-	-	-	-	-	-	-	14,500,000	257,496
Diva Moriani	Deputy Chairwoman	2010/2015	9,000,000	0.295	Oct.2011 Dec.2015	-	-	-	-	-	-	-	-	-	-	9,000,000	159,825
Giancarlo Losi	Director, Executive	2010/2015	2,000,000	0.295	Oct.2011 Dec.2015	-	-	-	-	-	-	-	-	-	-	2,000,000	35,517
(I) Compensation in the company preparing the fin. statements		2010/2015	23,500,000			-	-	-	-	-	-	-	-	-	-	23,500,000	417,321
(II) Compensation from subsidiaries		2010/2015	2,000,000			-	-	-	-	-	-	-	-	-	-	2,000,000	35,517
(III) Total			25,500,000			-	-	-	-	-	-	-	-	-	-	25,500,000	452,838
n. 2 Company Managers		2010/2015	-	-	-	3,500,000	0.326	Dec. 2013 Dec. 2015	(**) 190,852	19 Dec. 2012	0.329	-	-	-	-	3,500,000	3,980

(*) Each option grants the right to one ordinary share of Intek Group S.p.A. at the exercise price.

(**) total fair value of the options for the entire vesting period

2.4.3 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 who are beneficiaries of the MBO Plan waived their right to variable compensation for 2012. No bonuses relating to prior years were paid in 2012.

Monetary incentive plans in favour of members of the administrative body, general managers and other executives with strategic responsibilities

A	B	(1)	(2)			(3)			(4)
Name and surname	Position	Plan	Bonus for the year			Bonuses for prior years			Other bonuses
			(A) Payable/Paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable/Paid	(C) Still deferred	
Vincenzo Manes Chairman		MBO	= =	= =	= =	= =	= =	= =	= =
Diva Moriani Deputy Chairwoman		MBO	= =	= =	= =	= =	= =	= =	= =
Riccardo Garrè Director- General Manager		MBO	= =	= =	= =	= =	= =	= =	= =
Italo Romano Director- General Manager		MBO	= =	= =	= =	= =	= =	= =	= =
Gian Carlo Losi Director- Executive		MBO	= =	= =	= =	= =	= =	= =	= =
Rolf Reins Executive with strategic responsibilities		MBO	= =	= =	= =	= =	= =	= =	= =
(I) Remuneration from companies preparing the fin. statements		MBO	= =						
(II) Remuneration from subsidiaries and affiliates		MBO	= =						
(III) Total			= =						

N.B. The Executive Directors waived their right to variable compensation for 2012.

2.4.4 Investments held by members of the administrative and auditing bodies, general managers and executives with strategic responsibilities

The investments held by members of the administrative and auditing bodies, General Managers and Executives with strategic responsibilities 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 Managers with strategic responsibilities

Name and Surname	Position	Investee	Number of shares held at the end of 2011	Number of shares acquired during 2012	Number of shares sold in 2012	Number of shares held at the end of 2012
Salvatore Orlando	Chairman	KME Group S.p.A. INTEK S.p.A.	3,293,995 ord. shares 1.976.397 ord. shares	== ==	1,587,000 ord. shares (**) 951,000 ord. shares	1,706,995 ord. shares 1,025,397 ord. shares (*)
Diva Moriani	Executive Deputy Chairwoman	INTEK Group S.p.A.	270,280 ord. shares	136,275 ord. shares(1)	==	406,555 ord. shares
Italo Romano	Director - General Manager	INTEK Group S.p.A.	163,635 ord. shares	==	==	163,635 ord. shares
Vincenzo Cannatelli (***)	Director	INTEK Group S.p.A.	161,858 ord. shares			161,858 ord. shares
Marcello Gallo	Director	INTEK Group S.p.A.	568,125 ord. shares	267,806 ord. shares(1)	==	835,931 ord. shares
Gian Carlo Losi	Director - Board Secretary	INTEK Group S.p.A.	141,357 ord. shares	==	==	141,357 ord. shares
Alberto Pecci (***)	Director	INTEK Group S.p.A.	594,017 ord. shares 15,634 ord. shares 120,245 ord. shares	== == ==	594,017 ord. shares == ==	== 15,634 ord. shares 120,245 ord. shares

(*) held as at 18.8.2012, the date of his decease;
(**) granted to sisters free of charge;
(***) situation at the end of the mandate as at 28.6.2012;
(1) from exchange of shares of the merged company Intek S.p.A. held.

2.4.5 Remuneration of the Board of Statutory Auditors

The breakdown of the Board of Statutory Auditors' remuneration in 2012, including in subsidiaries, is shown in the table below which has been prepared in accordance with new CONSOB provisions ("Scheme 7-bis" – Table 1 – as set out in Annex 3 A of the Issuers' Regulation).

Compensation paid to members of the auditing body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which position was held	End of office	Fixed compensation	Fees for committee participation	Non-equity variable compensation		Non mon. benefits	Other compen-sation	Total	Fair Value of equity compen-sation	Severance indemnity for end of office or termination of employment
						Bonuses and other inc.	Profit sharing					
Riccardo Perotta	Chairm. of the Board of Statut. Auditors	28/06/2012 - 30/07/2012		4,375 (1)						4,375		
Marco Lombardi	Chairm. of the Board of Statut. Auditors	01/01/2012- 31/12/2012	approval of 2014 fin. stat.	75,562 (2)	-	-		-	-	75,562		
Francesca Marchetti	Standing auditor	28/06/2012- 31/12/2012	approval of 2014 fin. stat.	53,624 (3)	-	-		-	-	53,624	-	
Lorenzo Boni	Standing auditor	30/07/2012- 31/12/2012	approval of 2012 fin. stat.	56,003 (4)	-	-		-	-	56,003	-	
Pasquale Pace	Standing auditor	01/01/2012- 28/06/2012		2,400 (5)	-	-		-	-	2,400	-	
Vincenzo Pilla	Standing auditor	01/01/2012- 28/06/2012		36,158 (6)	-	-		-	-	36,158	-	
(I) Compensation in the company preparing the fin. statements				126,700	-	-		-		126,700	-	-
(II) Compensation from subsidiaries and affiliates				101,422		-		-		101,422	-	-
(III) Total				228,122	-	-		-	-	228,122	-	-

(1) Euro 4,375 for standing as the Chairman of the Board of Statutory Auditors of Intek Group S.p.A. from 28 June to 30 July 2012.
(2) Euro 51,642 for standing as the Chairman of the Board of Statutory Auditors of Intek Group S.p.A., Euro 23, 920 for his position as Standing auditor of Statutory Auditors of KME Italy S.p.A.
(3) Euro 36,200 for his position as Standing auditor of the Board of Statutory Auditors of Intek Group S.pA., Euro 17.424 for his position as Standing auditor of the Board of Statutory Auditors of ErgyCapital S.p.A.
(4) Euro 32,083 for his position as Standing auditor of the Board of Statutory Auditors of Intek Group S.pA., Euro 23,920 for his position as Standing auditor of the Board of Statutory Auditors of KME Italy S.p.A.
(5) Euro 2,400 for reimbursement of expenses incurred for his position as Statutory auditor of Intek Group S.p.A. up to 28 June 2012, paid to the "Studio Dueppi" accounting firm.

(6) Euro 31,200 for his position as the Chairman of the Board of Statutory Auditors of KME Italy S.p.A., Euro 4,958 for his position as the Chairman of the Board of Statutory Auditors of KME Recycle S.r.l up to 16 April 2012.

Intek Group S.p.A.
Separate Financial Statements
31 December 2012

Statement of financial position

(Euro)	Notes	31-Dec-2012		31-Dec-2011	
			of which related parties		*of which related parties*
Assets					
Non-current assets					
Property, plant and equipment	4.1	441,241	-	264,835	-
Investment property	4.2	1,557,289	-	-	-
Intangible assets	4.3	2,204	-	-	-
Goodwill	4.4	6,000,000	-	-	-
Investments	4.5	475,859,131	475,847,243	467,851,294	467,851,294
Non-current financial assets	4.6	59,140,271	37,669,721	53,419,680	48,844,427
Other non-current assets	4.4	17,924	-	-	-
Deferred tax assets	4.8	9,668,873	-	1,921,293	-
Total non-current assets		**552,686,933**	**513,516,964**	**523,457,102**	**516,695,721**
Current assets					
Trade receivables	4.9	12,328,830	1,343,950	2,451,847	2,451,847
Other current receivables and assets	4.10	13,687,569	57,196	328,945	-
Current financial assets	4.11	44,059,511	43,605,735	35,744,703	35,744,703
Cash and cash equivalents	4.12	10,575,688	-	6,605,104	-
Total current assets		**80,651,598**	**45,006,881**	**45,130,599**	**38,196,550**
Total assets		**633,338,531**	**558,523,845**	**568,587,701**	**554,892,271**

The notes are an integral part of these financial statements.

Statement of financial position

(Euro)	Notes	31-Dec-2012	of which related parties	31-Dec-2011	of which related parties
Liabilities and equity					
Equity					
Share capital		314,225,010	-	297,040,568	-
Other reserves		44,879,261	-	94,682,423	-
Treasury shares		(2,542,660)	-	(2,680,317)	-
Retained earnings		72,187,807	-	72,187,807	-
Stock Option reserve		1,640,603	-	1,183,784	-
Convertible loan		24,000,000	-	-	-
Loss for the year		(18,382,168)		(9,884,832)	-
Total Equity	**4.13**	**436,007,853**	**-**	**452,529,433**	**-**
Liabilities					
Non-current liabilities					
Employee benefits	**4.14**	307,206	-	170,200	-
Deferred tax liabilities	**4.8**	2,811,770	-	-	-
Loans and borrowings	**4.15**	57,769,846	3,084,135	66,682,303	6,833,678
Bonds and SFP	**4.16**	57,066,052	-	-	-
Other payables	**4.17**	1,204,944	-	2,133,455	2,133,455
Provisions for risks and charges	**4.18**	4,498,937	-	1,687,368	-
Total non-current liabilities		**123,658,755**	**3,084,135**	**70,673,326**	**8,967,133**
Current liabilities					
Loans and borrowings	**4.19**	65,741,083	20,173,657	41,968,012	13,049,147
Trade payables	**4.20**	2,216,804	424,339	1,876,594	884,711
Other non-current liabilities	**4.21**	5,714,036	2,791,475	1,540,336	558,002
Total current liabilities		**73,671,923**	**23,389,471**	**45,384,942**	**14,491,860**
Total liabilities		**197,330,678**	**26,473,606**	**116,058,268**	**23,458,993**
Total liabilities and equity		**633,338,531**		**568,587,701**	

The notes are an integral part of these financial statements.

Statement of comprehensive income

(Euro)	Notes	2012		2011	
			of which related parties		*of which related parties*
Revenue from sales and services	6.1	2,609,481	2,609,481	2,839,000	2,839,000
Other income	6.2	-	-	352,823	860
Personnel expense	6.3	(1,035,223)	(421,302)	(1,370,331)	(867,074)
Amortisation, depreciation and impairment losses	6.4	(24,697)	-	(16,610)	-
Other operating costs	6.5	(5,032,956)	(2,147,994)	(6,357,805)	(3,272,577)
Operating loss		**(3,483,395)**	**-**	**(4,552,923)**	**-**
Financial income	6.6	7,607,535	7,571,228	12,427,101	11,189,796
Financial expense	6.6	(21,656,221)	(18,472,151)	(16,911,402)	(11,402,387)
Loss before taxes		**(17,532,081)**	**-**	**(9,037,224)**	**-**
Current taxes	6.7	(98,768)	-	(411,570)	(134,190)
Deferred taxes	6.7	(751,319)	-	(436,038)	-
Total income taxes		**(850,087)**		**(847,608)**	
Loss from continuing operations		**(18,382,168)**		**(9,884,832)**	
Profit/(loss) from discontinued operations		-		-	
Loss for the year		**(18,382,168)**		**(9,884,832)**	
Other comprehensive income		**-**		**-**	
Taxes on other comprehensive income		-		-	
Other comprehensive income after taxes		-		-	
Total comprehensive income/expense for the year		(18,382,168)		(9,884,832)	

The notes are an integral part of these financial statements.

Statement of changes in equity

Year 2011

(Thousands of Euro)	Share Capital	Other reserves	Treasury Shares	Retained earnings	Stock option reserve	Profit (loss) For the year	Total
Equity at 31 December 2010	**297,014**	**91,601**	**(2,888)**	**15,191**	**7,185**	**61,101**	**469,204**
Allocation of profit/(loss)	-	3,055	-	50,055	-	(53,110)	-
Dividends and allocations to the BoD.	-	-	-	-	-	(7,991)	(7,991)
Withdrawal of Stock Option Plan for 2006-2011	-	-	-	6,942	(6,942)	-	-
Share capital increase	27	-	-	-	-	-	27
Reserve for goodwill arising on demerger	-	6,422	-	-	-	-	6,422
Non distributable reserve	-	(6,422)	-	-	-	-	(6,422)
Exercise of Warrant	-	31	-	-	-	-	31
(Purchase) sale of treasury shares	-	17	208	-	-	-	225
Deferred taxes recognised in equity	-	(22)	-	-	-	-	(22)
Expiry of stock option	-	-	-	-	941	-	941
Capital increase-related expenses	-	-	-	-	-		-
Loss for the year	-	-	-	-	-	(9,885)	(9,885)
Total comprehensive expense	-	-	-	-	-	(9,885)	(9,885)
Equity at 31 December 2011	**297,041**	**94,682**	**(2,680)**	**72,188**	**1,184**	**(9,885)**	**452,530**
Reclassification of treasury shares	(2,680)	-	2,680	-	-	-	-
Equity at 31 December 2011	**294,361**	**94,682**	**-**	**72,188**	**1,184**	**(9,885)**	**452,530**

The notes are an integral part of these financial statements.

Year 2012

(thousands of Euro)	Share Capital	Other reserves	Treasury Shares	Retained earnings	Stock option reserve	Convertible loan	Profit/loss For the year	Total
Equity at 31 December 2011	**297,041**	**94,682**	**(2,680)**	**72,188**	**1,184**	**-**	**(9,885)**	**452,530**
Cover of previous year's loss	-	(9,885)	-	-	-	-	9,885	-
Acquisition of treasury shares for exchange offer	-	-	(46,361)	-	-	-	-	(46,361)
Annulment of treasury shares	-	(49,041)	49,041	-	-	-	-	-
Effect of merger with Intek	17,184	9,770	-	-	-	24,000	-	50,954
Acquisition of treasury shares due to withdrawal	-	-	(2,543)	-	-	-	-	(2,543)
Treasury shares purchase expenses	-	(801)	-	-	-	-		(801)
Expiry of stock option	-	-	-	-	456	-	-	456
Deferred taxes recognised in equity	-	155	-	-	-	-	-	155
Loss 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**

The notes are an integral part of these financial statements.

Statement of cash flows, indirect method

(thousands of Euro)	2012	2011
(A) Cash and cash equivalents at the beginning of the year	**6,605**	**251**
Loss before taxes	(17,532)	(9,037)
Depreciation/Amortization of property, plant and equipment and intangible assets	25	16
Impairment losses (reversal of impairment losses) on financial assets	18.380	9,700
Changes in provisions for pensions, post-employment benefits and stock options	305	875
Changes in provisions for risks and charges	-	(753)
(increase) decrease in current receivables	1,164	(2,434)
Increase (decrease) in current payables	710	1,597
Taxes paid during year	597	(339)
(B) Cash flows from (used in) operating activities	**3,649**	**(375)**
(increase) in non-current intangible assets and property, plant and equipment	(1)	(64)
(increase) decrease in investments	4,621	(24,531)
Increase/decrease in other non-current assets/liabilities	(2,298)	336
Dividends received	-	131
(C) Cash flows from (used in) investing activities	**2,322**	**(24,128)**
Changes in equity	(47,007)	57
(Purchase) sale of treasury shares	(2,543)	226
Increase (decrease) in current and non-current financial payables	9,121	(77,387)
(increase) decrease in current and non-current financial receivables	21,743	115,951
Dividends paid and profits distributed	-	(7,990)
(D) Cash flow from (used in) financing	**(18,686)**	**30,857**
(E) Change in cash and cash equivalents (B)+(C)+(D)	**(12,715)**	**6,354**
(F) Cash and cash equivalents contributed by merged company	**16,686**	**-**
(G) Cash and cash equivalents at the end of the year	**10,576**	**6,605**

The notes are an integral part of these financial statements.

Accounting policies and notes

1. General information

Intek Group S.p.A. (hereafter Intek Group or the company) heads a diversified group operating in the copper and copper-alloy semi-finished products sector, in the advanced services sector, including integrated services in the field of managing risks associated with vehicles and energy from renewable sources, and in the finance sector with the management of investments and private equity funds. The Intek Group's business aims at the dynamic management of all the investments with a view to active value creation focussed on the generation of cash and increasing value over time.

The company is the result of the merger, which has been effective since 30 November 2012, of Intek S.p.A. into KME Group S.p.A. and which subsequently changed its name to Intek Group S.p.A. The merger was the completion of a complex corporate operation which is described in detail in the Directors' report.

INTEK Group is a joint stock company (*Società per Azioni*) registered in Italy with the Milan Company Register, no. 00931330583, and its shares are listed on the Mercato Azionario Telematico (Borsa Italiana's electronic market) organised and managed by Borsa Italiana S.p.A.

The separate financial statements at 31 December 2012 were approved by the Board of Directors on 27.03.13 and will be published in accordance with legal requirements.

Although it is owned by Quattroduedue Holding B.V. through the wholly-owned Quattroduedue S.p.A., the Company 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:

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

b) the Company does not participate in any centralised treasury arrangements operated by the Parent or another company under Quattroduedue's control;

c) the number of independent Directors (3 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 2012 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998.

The financial statements were prepared in compliance with the requirements for measurement and recognition under International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure set forth in article 6 of Regulation (EC) 1606/2002 of the European Parliament and with requirements in implementation of article 9 of Legislative Decree 38/2005.

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 financial statements as at and for the year ended 31 December 2011.

The separate financial statements at 31 December 2012 of Intek Group are prepared on the basis of the principle of cost, with the exception of the use of fair value for financial instruments which are not recorded at cost and for real estate investments.

The financial statements consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes. The financial statements and the notes to the financial statements include, besides the amounts relating to the reference year, also the corresponding comparative data at 31 December 2011.

Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

In addition, the following standards, amendments and interpretations which came into force as from 1 January 2012 have been applied for the first time:

1. **IFRS 7 -** Financial instruments (Amendment) – disclosures: the amendment requires further disclosure on the effects or potential effects of agreements to offset financial assets and liabilities on the statement of financial position, when legally possible. In addition, it includes further disclosure when, in the case of transfers, the transferor keeps a “continuing involvement” in the asset transferred if:
   - it transfers the contractual rights to receive cash flows of that financial asset; or
   - it maintains the contractual rights to receive cash flows, but takes on contractual obligations to other beneficiaries.

   The standard was issued in October 2010. Comparative information is not required in the first year of application.
2. **IAS 12 -** Income Taxes: On 20 December 2010 the IASB issued an amendment which clarifies the determination of deferred taxes on investment property assessed at fair value in accordance with the provisions of IAS 40, by introducing the provision that they must be determined in consideration of the fact that the carrying amount of this asset will be recovered through its sale. Consequently the amendment SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer be applicable. The amendment is applicable from 1 January 2011 retrospectively.

The company has not yet applied the accounting standards which are listed in paragraph 2.20 and which, although already issued by the IASB, become effective after the date of these separate financial statements at 31 December 2012 or which have not yet completed the endorsement process by the European Union.

Events and transactions affecting the Company are recognised 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 measures, 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 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.

Ordinary maintenance costs are charged to the income statement, 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.

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.

Borrowing costs relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

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, recognised in profit or loss, and repayment of principal, recognised as a reduction of financial liabilities. Assets held under finance leases are recognised 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 the company will obtain title to the asset 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 fair value less costs to sell and value in use, and comparison of the appropriate value with the carrying amount. The recoverable amount is the greater 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 recognised 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 valued at fair value and therefore are not depreciated on a straight line basis.

2.4 Intangible assets

An intangible asset is an identifiable asset without physical substance that is controlled by an entity and is capable of producing future economic benefits.

The item also includes goodwill which 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.

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 recognised 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. In addition, they are carried net of any impairment losses, in line with the accounting treatment for "property, plant and equipment". The residual value of intangible assets at the end of their useful life is assumed to be zero.

Internally generated assets are capitalised only to the extent they meet the requirements of IAS 38, paragraph 57.

2.5 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 is not amortised, but it is subject to impairment testing at least on an annual basis or whenever potential signs of impairment emerge, considering the forecast cash flows from the assets to which the goodwill refers. Impairment losses cannot be reversed.

2.6 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 or payments which have a specific due date, that the company 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 fair value.

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.

Recoverability of the carrying amounts is tested annually and whenever events occur which create a presumption of impairment.

All impairment losses are recognised in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognised through equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

Impairment is reversed if the subsequent increase in value can be objectively connected to a permanent event which occurred following the impairment, for a total amount which, in any case, cannot exceed the actual results. Reversals of impairment losses on assets carried at amortised cost and available-for-sale assets, which are debt instruments, are recognised 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. Fair value adjustments of derivative instruments not classified as hedging instruments are immediately recognised in profit or loss.

The fair value of non-derivative financial instruments is determined by discounting future cash flows at the market interest rate for the end of the reporting period.

2.7 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).

2.8 Equity

The reserve for treasury shares is no longer used due to the change in presentation introduced by IAS. The existing balance of the reserve was, consequently, reclassified to the relevant, specific reserves that had been used to create it. In the notes there is, in any case, information on compliance with articles 2357-*ter* and 2359-*bis* of the Italian Civil Code.

Share capital consists of ordinary and savings shares of no par value, fully subscribed and paid up at year end, reduced by any share capital to be received. The value of treasury 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 Intek Group 2012-2017 Convertible Loan, arising from the merger of Intek, 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 Loan);

- the number of shares which the issuer of the Convertible Loan must assign to the holder of the Convertible Bonds on their expiry is preset and is not subject to change.

No revenue component is recognised on the convertible loan since it is an equity item.

The costs for equity operations have been used directly against other reserves.

2.9 Receivables and payables

Receivables and payables are recognised at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognised at their par value.

2.10 Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognised in profit or loss unless relating to transactions recognised directly in equity in which case the relevant tax is also recognised directly in equity.

Current taxes are the estimated tax payable computed on taxable income for the year as determined with reference to current tax rates and those substantially in effect at the end of the year. Deferred taxes are recognised on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised 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 tax 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 recognised 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 and are reduced to the extent that they are not likely to be recoverable.

2.11 Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as “defined contribution plans” 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 end of year. 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 the vesting of benefits. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised pro-quota in profit or loss using the corridor method, which entails recognition of the net amount of actuarial gains and losses not recorded at the end of the previous year exceeding the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets.

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 provision or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the government pension & welfare agency (in the case of companies with more than 50 employees). Basing itself on the generally accepted interpretation of the 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 components relating to actuarial estimates.

The measurement of “Post-employment benefits” was carried out by an independent actuary.

2.12 Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or timing of which are uncertain. Such provisions are only recognised to the extent that:

1. the Company has a present (legal or implicit) obligation owing to a past event;
2. it is probable that resources will be needed to produce economic benefits to meet the obligation;
3. 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 amount required to settle the obligation.

2.13 Revenue recognition

Revenue from services is valued at the fair value of the fee received or due on the basis of the quantity of the service supplied at year end. The progress is then measured with respect to the amount of work performed.

2.14 Dividends

Dividends to be paid are recognised as liabilities only in the period 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 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 of the fair value of assets held for trading and derivatives.

2.16 Stock options

Commencing with the financial statements as at and for the year ended 31 December 2006, personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board directors and certain other group executives, consistent with the nature of remuneration paid.

Starting from 2010 the KME Group S.p.A. stock option plan for 2010–2015 (the "Plan") was activated, in replacement of the previous one which was implemented in 2006 and revoked in 2009 on account of the new corporate structure/organization of the Group.

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 "Reserve for stock options". 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 "Reserve for stock options".

2.17 Earnings 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 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 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 recognised 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 Merger with Intek S.p.A.

On 30 November 2012 the merger of Intek S.p.A., which previously on the same date had merged Quattrotretre S.p.A., became effective. The accounting impact of the operation coincided with the legal impact and therefore the operations of the merged company are included in the Intek Group financial statements as from 1 December 2012. The merger is an example of “business combinations involving entities or businesses under common control” and as such is excluded from the scope of obligatory application of IFRS 3. Consequently, the merger was accounted for using the principle of continuity in values, as envisaged by the Preliminary Orientations (OPI) of ASSIREVI (Italian Auditors Association) on the IFRS – OPI no. 1 “Accounting treatment of business combinations of entities under common control in separate financial statements and in consolidated financial statements” and OPI no. 2 “Accounting treatment of mergers in separate financial statements”. Therefore, the assets and liabilities of Intek were recorded in the consolidated statement of financial position at the same carrying amounts at which they were recorded in the financial statements of the merged company at 30 November 2012.

The financial statements at 30 November 2012 of Quattrotretre and Intek are provided as an annex to the notes.

For a better appreciation of the effects of the merger, the values contributed by Intek are indicated in the comments on the individual statement of financial position items.

2.20 Accounting standards not yet applied

At 31 December 2012, 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 1 - Presentation of financial statements (Improvement): in June 2012, the process for publication in the Official Journal of the European Union was completed. The document introduces a clarification with regard to the minimum information that must be reported as well as how to present other comprehensive income. The application of the new standard is mandatory from 1 January 2013.

IAS 16 – Property, Plant And Equipment (Classification): the amendment clarifies that maintenance equipment can be capitalised under “property, plant and equipment” rather than under inventory if they have been used for a period longer than one year, regardless of whether they are specifically related to a specific plant or machine or not. On the date of these financial statements, the competent bodies of the European Union had not concluded the endorsement process required for application.

IAS 19 - Employee benefits: in June 2012, the process for publication in the Official Journal of the European Union of the new amendment issued on 16 June 2012 - which eliminates the option of deferring the recognition of actuarial gains and losses with the ‘corridor method’ - was completed. Consequently, it will be necessary to show the total deficit or surplus on the statement of financial position and in cash flows. In the statement of comprehensive income it will be necessary to show the cost components linked to the work performed and the net financial expense; other comprehensive income, on the other hand, must include the actuarial gains and losses arising from the annual recalculation of assets and liabilities. The application of the new standard is mandatory from 1 January 2013.

IAS 27 – Separate Financial Statements: On 12 May 2011 the IASB issued IFRS 10 – Consolidated Financial Statements which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements. The latter will establish the accounting treatment for investments in the separate financial statements. The new standard defines the existence of control, for the purposes of consolidation, in various ways and not only as the result of the power to direct financial and operational policies. Therefore, an investor controls an entity when he/she is exposed or is entitled to changes in results arising from his/her involvement with the company and has the possibility of influencing these results through exercise of his/her power over the company. At the date of these separate financial statements, the competent bodies of the European Union had not concluded the endorsement process required for application of the aforementioned amendment. The application of the new standard is mandatory from 1 January 2013.

IAS 32 - Financial instruments (Improvement): introduces clarification in the application of some criteria for the offset of financial assets and liabilities. At the date of these separate financial statements, the competent bodies of the European Union had not concluded the endorsement process required for application of the aforementioned amendment. The application of the new standard is mandatory from 1 January 2013.

IFRS 7 - Financial Instruments: Disclosures: the amendment requires further disclosure on the effects or potential effects of agreements to offset financial assets and liabilities on the statement of financial position and in cash flows, when legally possible.

IFRS 11 – Joint Arrangements: in May 2011 IFRS 11 was published which will replace IAS 31 – Interests in Joint Ventures and SIC – 13 – Jointly Controlled Entities – Non-monetary contributions by venturers. The previous standard envisaged the identification of a joint controller entity and the possibility of choosing the consolidation method from between the equity method and proportionate consolidation. The new standard distinguishes *joint ventures* (if the entity has rights and obligations connected to the overall net assets covered by the agreement) from *joint operations* (if the entity has rights and/or obligations related to specific assets and liabilities) as opposed to IAS 31 which required identification of *joint venture entities*. Participants in a joint venture have contractual rights and obligations deriving from the agreement and which are based on substance over form. The participants in a joint venture must measure the investment using the equity method. Proportionate consolidation is no longer allowed. The assets and liabilities of a joint operation will be recognised both in the consolidated financial statements as well as in the separate financial statements in accordance with the applicable standard. At the date of these separate financial statements, the competent bodies of the European Union had not concluded the endorsement process required for application of the aforementioned amendment.

The application of the new standard is mandatory from 1 January 2013.

IFRS 12 – Disclosure of Interests in Other Entities: this standard mainly aims to define the criteria for determining control and to provide a uniform disclosure that is able to highlight the risks associated with the relations, regardless of the nature of the relation itself. IFRS 12 focuses on disclosure regarding interests in other entities such as joint ventures, investments in subsidiaries, and investments in associates, joint ventures or interests in companies that are not included in the scope of consolidation. At the date of these separate financial statements, the competent bodies of the European Union had not concluded the endorsement process required for application of the aforementioned amendment. The application of the new standard is mandatory from 1 January 2013.

IFRS 13 – Fair-value Measurement: on 12 May 2011, the IASB published IFRS 13 which provides guidance for measurement at fair value. It mainly introduces the definition of fair value, a guide for the determination thereof and a series of minimum disclosures that are common to all items measured at fair value. Essentially the new standard will define how to determine the fair value and will apply to all the IFRS which require or allow the measurement of fair value. The board has defined fair value as the price that should be paid to extinguish a liability in an arm's length transaction on the date on which the measurement is made. Essentially the new definition brings the concept of fair value close to that of an exit price. In addition, the standard established criteria to use to determine the fair value of assets and liabilities that cannot be directly observed on the market, including: the market approach, cost approach or according to discounted future cash flows.

The disclosure must make clear to the reader the measurement techniques, the effect on profit or loss and on other components of comprehensive income deriving from the measurements made using non-observable data to a significant extent. The application of the new standard is mandatory from 1 January 2013.

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: 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 short-term financial payables and capital expenditure through cash 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 inventories of raw materials;

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 into fixed interest rates;

e) commodity price risk (particularly copper): this is the most significant and strategic of the risks to which the Group is exposed. 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 reality, both transactions are physical in nature which, however, can also be settled through: cash payment of differentials, issue of another financial instrument or swapping 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 change 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.

In any case, the Group does not trade in financial derivatives for speculative purposes, even though it does not account for the financial instruments in accordance with hedge accounting rules, as these transactions do not meet the conditions set out in IAS 39.

4. Notes to the statement of financial position

4.1 Property, plant and equipment

The changes recorded over the last two years were as follows:

	Plant and equipment	Other assets	Total
Cost			
Balance at 31 December 2010	*170*	*861*	*1,031*
Increases	-	64	64
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*
Accumulated depreciation	**-**	**-**	**-**
Balance at 31 December 2010	*170*	*644*	*814*
Increases	-	16	16
Disposals	-	-	-
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*
Net value			
31.12.10	**-**	**217**	**217**
31.12.11	**-**	**265**	**265**
31.12.12	**-**	**441**	**441**

Property, plant and equipment primarily relate to fixtures and furnishings. Except for assets arising from the merger, the increase was a result of purchases made during the year.

Rates of depreciation for the year were: 12% office furniture and fittings, 20% office equipment and 25% security system.

4.2 Investment property

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Investment property	-	1,557	-	1,557
Total	**-**	**1,557**	**-**	**1,557**

These are 2 buildings and a piece of land arising from the former Fime lease business and which currently do not produce income.

4.3 Intangible assets

In the last two years there have been the following changes:

Cost	
Balance at 31 December 2010	-
Increases	-
Balance at 31 December 2011	-
Increases due to merger	6
Increases	-
Balance at 31 December 2012	*6*
Accumulated depreciation	**-**
Balance at 31 December 2010	-
Increases	-
Disposals	-
Balance at 31 December 2011	-
Increases due to merger	4
Increases	-
Balance at 31 December 2012	*4*
Net value	
31.12.10	**-**
31.12.11	**-**
31.12.12	**2**

There were no other changes, except for those relating to the merger and the depreciation in the year.

4.4 Goodwill

The changes in the item were as follows:

	31.12.11	**Changes due to merger**	**Other changes in the period**	**31.12.12**
Goodwill	-	6,000	-	6,000
Total	**-**	**6,000**	**-**	**6,000**

Goodwill relates to the taking over of creditors agreements in bankruptcies regarding 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 downward adjustments to goodwill recorded over the years are a result of the fall in future cash flows envisaged as a consequence of the occurrence of some contingent assets.

4.5 Investments

Schedule of investments in subsidiaries carried as non-current financial assets as follows:

Name	Registered office	Share/ quota capital	Equity at 31.12.12(1)	Profit/(loss) at 31.12.12	Percentage of interest	Carrying amount
Subsidiaries						
KME AG	Osnabruck	142,744	293,779	(41,102)	100.00%	380,109
KME Beteiligungsgesellsch.mbH	Osnabruck	1,043	858	(140)	100.00%	1,000
KME Partecipazioni S.p.A.	Florence	47,900	63,398	(14,880)	100.00%	63,398
FEB - Ernesto Breda S.p.A. (*)	Milan	578	6,333	1,793	86.34%	2,352
I2 Capital Partners SGR S.p.A.(*)	Milan	1,500	2,722	(144)	100.00%	2,501
I2 Real Estate S.r.l. (*)	Ivrea (TO)	110	14,639	(268)	100.00%	16,464
Idra International SA (*)	Luxembourg	50,569	(4,701)	(182)	100.00%	-
Inteservice S.r.l. in liq. (*)	Naples	90	13	(214)	100.00%	-
Malpaso S.r.l. (*)	Milan	10	76	(156)	100.00%	823
Progetto Ryan 2 Srl in liq. (*)	Milan	440	684	(350)	88.00%	500
Rede Immobiliare S.r.l. (*)	Milan	90	2,381	(64)	49.00%	8,700
Tecsinter S.p.A. in liq. (*)	Ivrea (TO)	100	63	11	100.00%	-
Total subsidiaries						475,847
Other investments (*)						12
Total investment						475,859

(1) including the profit (loss) for the year

(2) the equity and the loss for the year of the sub-consolidated company KME AG at 31 December 2012, therefore excluding the goodwill recorded at the consolidated level of Intek Group, were respectively Euro 199,399 thousand and Euro 63,934 thousand.

(*) indicates the investments arising from Intek S.p.A.

Investments information:

	Investments in subsidiaries	Other investments	Total
Historical cost	625,106	-	625,106
Decreases	-	-	-
Reversals of impairment losses	72,631	-	72,631
Impairment losses	(229,886)	-	(229,886)
Brought forward	**467,851**	**-**	**467,851**
Increases due to merger	31,120	12	31,132
Increases	1,256	-	1,256
Decreases	(6,000)	-	(6,000)
Reversals of impairment losses	-	-	-
Impairment losses	(18,380)	-	(18,380)
Change for year	**7,996**	**12**	**8,008**
Historical cost	651,482	12	651,494
Decreases	-	-	-
Reversals of impairment losses	72,631	-	72,631
Impairment losses	(248,266)	-	(248,266)
Carried forward	**475,847**	**12**	**475,859**

"Investments in subsidiaries" include the whollu owned investments in the copper sector in KME AG (Euro 380,109 thousand) and in KME Beteiligungsgesellsch GmbH (Euro 1,000 thousand) and that in the sub-holding KME Partecipazioni S.p.A. (Euro 63,398 thousand).

At its effective date, the merger with Intek contributed investments worth Euro 31,132 thousand, of which Euro 31,120 thousand was in subsidiaries. Due to the increases in December, the investments of the former Intek at 31 December 2012 totalled Euro 31,352 thousand.

The increase of Euro 1,256 thousand in the carrying amount of the investments in subsidiaries was due:

- for Euro 1,000 thousand to the subscription of the share capital of KME Beteiligungsgesellsch GmbH;
- The allocation during the year of Euro 35 thousand relating to KME AG (with the contra entry to equity) to the cost of the stock options in the 2010 – 2015 Plan assigned to managers of subsidiaries;
- for Euro 220 thousand to a capital contribution payment to the subsidiary Malpaso S.r.l.

In the year a decrease was recorded for Euro 9,508 thousand in relation to the investment in KME Recycle S.r.l. which was impaired by Euro 3,500 thousand during the first half and subsequently sold to KME AG at the end of November.

At 31 December 2012 the directors, in order to check the recoverability of the values recorded, carried out impairment tests which were approved by the Board of Directors on 27 March 2013.

In particular, for the purposes of assessing the recoverable amount of the investment in

KME AG compared to the equity of the subsidiary, the impairment test which was 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 27 March 2013 and by the KME AG Board on 14 March 2013.

The main assumptions underlying the Plan envisage:

- gradual recovery in sales volumes from the 2012 level up to levels which in 2017 envisage a broad recovery of the quantities sold in 2011;
- growth in added value (CAGR around 4%);
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors and the increased focus on raising productivity;
- inflation of 3%
- stable copper price (around 6,000 Euro/ton);
- €32 million investment per annum in 2013-2014 and €45 million in 2015-2017.

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 8.8%. 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 which was drawn up and approved by the KME AG Board of Directors on 14 March 2013 and by the Intek Group Board on 27 March 2013.

The terminal value has been calculated using the assumptions that long-term EBITDA is the average EBITDA recorded as per the Plan in the last 5 years (explicit period), that depreciation is an investment and using a long-term growth rate "g" of zero. The WACC rate was determined on the basis of the following parameters:

- risk free-rate: 10-year Government bonds;
- market risk premium: 5.0%;
- cost of debt: 10-year European swap rate at 31 December 2012 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 the previous year the cash flows were discounted using a WACC discount rate of 9.3%, net of taxes. This rate assumed an average risk free-rate of 3.68%, a market risk premium of 5.20% and an average interest rate on the debt of 5.1% to which had been added an additional premium of 2%.

The aforementioned impairment was also subjected to sensitivity testing using a WACC rate ranging from 6.8% to 10.8% and a "g" growth rate ranging from zero to 2% and an alternative scenario to calculate the terminal value assuming that long-term EBITDA is equal to the average EBITDA from the Plan over the last 5 years

The sensitivity analysis did not reveal the need for any impairment on the basis of a negative “g” growth rate of up to 2% or an increase in WACC of 1.4%.

The impairment test undertaken resulted in an equity value of Euro 480.6 million compared to Euro 380.1 million as the carrying amount of the investment. 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.

The investment in KME Partecipazioni, the assets of which are mainly related to the carrying amounts of the investments in Cobra AT S.p.A., ErgyCapital S.p.A. and Culti S.r.l. was impaired by Euro 14,880 thousand in order to align the carrying amount to that of the company’s equity. The recoverable value identified in the impairment test reflects the loss recorded by the investee in 2012, mainly connected to the impairment loss of its own investee recorded following specific impairment tests carried out on them with the support of an external consultant.

In particular for the investment in ErgyCapital, during the measurement of the investments to draw up the financial statements of KME Partecipazioni at 31 December 2012, the carrying amount of the capitalised stake in ErgyCapital was imparied by Euro 7.3 million. This write-down was estimated by taking account, on the one hand, of the results of an impairment test carried out with the help of an independent advisor, which took as a reference the average share price in the first 3 months of 2013, and, on the other, of the fact that, at the moment, agreements and partnerships have not been made which may represent opportunities to valorise the investment, following the programs to reorganise and focus the business which is currently carried out by the management of the investee.

As for Cobra AT, in order to check for any impairment, the directors of KME Partecipazioni sought the assistance of an external consultant who carried out the check, using as a basis the data from the business plan for 2013-2016 as approved by Cobra AT, and found that there is no impairment.

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:

- increase on the Italian market of 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.

For investments arising from Intek, reference has been made mainly to the equity 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 financial assets

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Receivables due from Group companies for MCC loan	42,011	-	(12,058)	29,953
Receivables due from Unicredit term deposit	4,575	-	(851)	3,724
Guarantee fees receivables	6,834	-	(3,750)	3,084
Other receivables due from Group companies	-	4,414	218	4,632
Other bank term deposits	-	672	-	672
Investment funds	-	17,075	-	17,075
Total	**53,420**	**22,161**	**(16,441)**	**59,140**

“Receivables due from Group companies for MCC loan” of Euro 29,953 million is the non-current portion of the loan disbursed by Mediocredito Centrale S.p.A. (MCC, now Unicredit S.p.A,) to Intek Group in the 2008-2010 period and transferred to subsidiaries.

The loan with Mediocredito Centrale S.p.A. was taken out in April 2008 for an amount of up to Euro 103 million, to be used to finance industrial investment costs incurred and/or to be incurred by the individual non-Italian subsidiaries or the acquisitions of foreign companies by KME Group S.p.A. The loan could be provided over the period June 2008 - March 2010, in 3 tranches. Each of these had a duration of 8 years from the date of its actual use.

The agreement requires 1) SACE S.p.A. (SACE) to issue a first call guarantee in favour of MCC and 2) a negative pledge on the Group’s consolidated assets of a maximum of Euro 200 million, excluding goodwill and cash and cash equivalents, throughout the term of the loan.

On 31 December 2012, MCC disbursed Euro 33 million under the first tranche, Euro 30.2 million under the second tranche and Euro 39.8 million aside the third tranche (total Euro 103 million) to KME Group S.p.A.

During 2013 the loan was transferred to KME AG which is therefore a debtor to Unicredit for both the current and non-current part, for a total of Euro 45.7 million. Likewise also the credit positions regarding the other subsidiaries have been transferred. The operation was also undertaken as a consequence of the transfer of the covenants from Intek Group to KME AG as regards the lines of credit to support the copper sector business.

“Receivables due from Unicredit term deposit” of Euro 3,724 thousands refer to the amount on deposit in the current account in the name of INTEK Group S.p.A. and tied in favour of Unicredit S.p.A. (formerly MCC - Mediocredito Centrale) to guarantee the loan agreed in 2008. The positive balance on the aforementioned account is always equal to one-sixteenth of the amount of the outstanding loan at any one time, plus the amount of interest accrued half yearly and due for payment on the subsequent period end. Any amounts on the account in excess of that amount are immediately available.

“Guarantee fees receivables” 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 S.p.A. and the main subsidiaries operating in the copper and copper alloy semi-finished products sector obtained from a pool of banks extension of the lines of credit from September 2011 to January 2015 for a total of Euro 475 million, which was increased to Euro 565 million in April 2011. The agreement – which involves the two lines of credit called “tranche A” (a revolving loan to cover needs related to the inventories of the industrial companies) and “tranche B” (to cover other requirements), which were both completed in 2006 and which are still in place today for a similar amount to that provided – confirms the availability of flexible facilities in regard to the Group’s lending needs.

The carrying amount of receivables determined in that manner is believed to approximate fair value.

As for the financial assets taken over during the merger, the following may be noted:

- 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 S.p.A.;
- **“Other receivables due from Group companies”** refer to interest-bearing loans granted to subsidiaries, mainly operating in the real estate sector, for the structural support of their business;
- **“Other bank term deposits”** relate to bank guarantee deposits issued as part of the special situations business.

4.7 Other non-current assets

These are items arising wholly from the merger and relate to receivables due from companies in liquidation and guarantee deposits:

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Other receivables	-	18	-	18
Total	**-**	**18**	**-**	**18**

4.8 Deferred tax assets and liabilities

The breakdown of the item is as follows:

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Deferred tax assets	1,921	8,344	(596)	9,669
Deferred tax liabilities	-	(2,811)	(1)	(2,812)
Total	**1,921**	**5,533**	**(597)**	**6,857**

Deferred tax assets and liabilities by financial statements item are shown below:

	Deferred tax assets		Deferred tax liabilities	
	31.12.12	31.12.11	31.12.12	31.12.11
Investment property	10	-	-	-
Non-current financial assets	-	-	290	-
Trade receivables	7,465	257	1,863	-
Current financial assets	-	-	17	-
Employee benefits	-	4	-	-
Other non-current payables	-	571	642	-
Provisions for risks and charges	714	464	-	-
Other current liabilities	637	98	-	-
Deferred tax assets on equity items	220	67	-	-
Deferred tax assets on tax losses carry forward	623	460	-	-
Total	**9,669**	**1,921**	**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 forwards" are recognised only when their recovery is highly probable.

The tax losses relating to trade receivables originate from the impairment losses made in Intek on the former lease and factoring receivables.

4.9 Trade receivables

The breakdown of the item is as follows:

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Due from customers for commercial activities	933	-	-	933
(Allowance for impairment)	(933)	-	-	(933)
Net trade receivables due from customers	-	-	-	-
From lease and factoring activities	-	10,995	(10)	10,985
Due from associates	2,452	364	(1,472)	1,344
Total	**2,452**	**11,359**	**(1,482)**	**12,329**

Receivables from lease and factoring activities, arising from the Intek merger, are non-performing loans relating to the business which was previously conducted by Fime Leasing and Fime Factoring.

Receivables due from associates refer to fees for loans or administrative services provided by the merged company Intek.

The carrying amount of trade receivables approximates their fair value.

4.10 Other current receivables and assets

The breakdown is as follows:

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Tax assets	276	5,807	380	6,463
Prepayments and accrued income	45	135	3	183
Receivables due from special situations	-	6,962	(80)	6,882
Receivables due from associates	-	2	55	57
Other	8	133	(38)	103
Total	**329**	**13,039**	**320**	**13,688**

“Receivables due from special situations” mainly include receivables arising from bankrupty proceedings for Euro 3,332 thousand and receivables guaranteed by properties for Euro 3,500 thousand. Receivables due from bankrupty proceedings relate to positions in regard to the Finanziaria Ernesto Breda procedure 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’ bankrupty proceedings. The receivables guaranteed by properties were the subject of a settlement during 2013 with the debtor and subsequent transfer to I2 Real Estate S.r.l., a subsidiary of Intek Group. The receivable was sold to I2 Real Estate which became the owner not only of the properties which guaranteed the receivable, but also of other property units.

Tax assets include, among other things, receivables for direct taxes of Euro 4,394 thousand (of which Euro 2,500 thousand has been requested for refund) and receivables for VAT for Euro 2,600 thousand.

The receivables due from associates relate to receivables that arose on liquidation of Group VAT.

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.

4.11 Current financial assets

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Loans to associates	30,483	13,165	(5,194)	38,454
Guarantee fees receivable	5,262	-	(110)	5,152
Investment funds	-	437	2	439
Other	-	15	-	15
Total	**35,745**	**13,617**	**(5,302)**	**44,060**

Loans to associates include:

- Euro 12,398 thousand for the share falling due within the next twelve months of the Unicredit S.p.A. (former MCC) loan, including interest, relating to the subsidiaries;
- Euro 13,514 thousand for the balance on the current accounts held with the copper sector subsidiaries KME AG and KME Yorkshire Ltd;
- Euro 12,542 thousand for receivables arising from the merger with Intek and relating to the following loans: Euro 8,302 thousand to ErgyCapital, Euro 1,956 thousand to Culti S.r.l., Euro 1,154 thousand to Quattroduedue S.p.A. and Euro 1,130 thousand to I2 Real Estate.

"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 extended.

The total amount of guarantee fees receivable within and beyond twelve months determined in the manner described in note 4.6 was Euro 8.236 thousands which approximated their fair value at 31 December 2012.

The units in **investment funds** of Euro 439 thousand relate to investments of liquidity in listed funds.

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 company has no investments in sovereign debt securities.

4.12 Cash and cash equivalents

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Bank and post office accounts	6,603	16,681	(12,712)	10,572
Cash on hand	2	5	(3)	4
Total	**6,605**	**16,686**	**(12,715)**	**10,576**

The positive balance on bank current accounts at the end of 2012 is due to temporary holdings of liquidity.

For an analysis of cash flows, reference should be made to the Statement of cash flows.

4.13 Equity

The number of subscribed shares is as follows:

	Ordinary shares		Savings shares	
	31.12.12	31.12.11	31.12.12	31.12.11
In issue on 1 January 2012	447,347,650	447,278,603	43,699,416	43,699,416
Issued following exercise of warrants	-	69,047	-	-
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 2012	**345,506,670**	**447,347,650**	**50,109,818**	**43,699,416**

The **share capital** at 31 December 2012 was Euro 314,225,009.80, divided into 345,506,670 ordinary shares, of which 21,624,983 were ex merger, and 50,109,818 savings shares, of which 6,546,233 were ex merger. The shares have no nominal amount.

At 1 January 2012 the company held 7,602,700 ordinary treasury shares, which were recorded at their purchase cost of Euro 2,583,259, and 135,831 savings treasury shares, which were recorded at their purchase cost of Euro 97,058. These shares were cancelled on 12 September 2012 together with the 115,863,263 ordinary treasury shares acquired following the treasury share exchange offer which was approved by the extraordinary shareholders' meeting on 9 May 2012. The cancellation operation only changed the number of shares making up the share capital without changing the value of the latter. The purchase cost of the treasury shares subject to the public tender offer was determined on the basis of the fair value of the financial instrument offered as payment. Following the right of withdrawal granted to shareholders of the merged Intek, during the merger 6,230,691 ordinary treasury shares and 978,543 savings treasury shares were bought for a total price of Euro 2,543 thousand.

“Other reserves” includes:

(Euro)	
Legal reserve	5,334,047
Deferred tax assets recognised in equity	220,255
Share premium reserve	35,652
Available reserve (extraordinary)	22,580,934
Reserve for goodwill arising on demerger	3,336,965
Reserve for treasury shares held	2,542,660
Reserve for negative goodwill Intek merger	7,891,571
Unavailable reserves	635,835
Reserves taxable on distribution	3,484,481
Costs associated with a capital increase	(399,111)
Reserve for costs for public exchange offer 2012	(801,606)
Gain/loss reserve for treasury shares	17,578
	44,879,261

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 “Available reserves” were created by resolution made at the extraordinary Shareholders’ Meeting of 14 March 2008, which approved the voluntary reduction of share capital by Euro 74,164,741.31 (from Euro 324,164,741.31 to Euro 250,000,000.00) and the creation of available reserves of equal amount. The resolution was put into effect on 26 June 2008. During 2012 the reserve was used for Euro 49,041,147 to annul the treasury shares already in the portfolio or purchased through the public exchange offer. The “Available reserve” was also reduced by Euro 2,542,660 to set up the reserve for treasury shares bought as a consequence of the withdrawal option exercised by Intek shareholders.

The “Reserve for goodwill arising on demerger” of Euro 3,336,965 is available and was used in the year to cover the loss in 2011 of Euro 9,884,832.

The “Unavailable reserve ex Leg. Dec. 38/2005” was recorded during the merger in order to re-establish the same reserve which was present in Intek.

The “Reserves taxable on distribution” was recorded proportionately for Euro 2,241,865 following the demerger and was increased in the year to Euro 3,484,481 to re-establish the same reserve as that in the merged company.

On the date of this report the “**Stock option reserve**” consisted of the reserve relating to the 2010/2015 Plan for a total of Euro 1,640,603 (of which Euro 1,183,784 relating to 2010 and 2011 and Euro 456,819 relating to 2012).

“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 4,000,000 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. Intek Group 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 accrued amounts at year end, in compliance with law, employment contracts and IAS 19.

	31.12.11	Changes due to merger	Increases	Decrease	31.12.12
Post-employment benefits (TFR)	170	254	26	(143)	307
Total	**170**	**254**	**26**	**(143)**	**307**

4.15 Non-current financial loans and borrowings

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Unicredit loan (formerly MCC)	59,848	-	(14,049)	45,799
Guarantees issued liability	6,834	-	(3,750)	3,084
GE Capital former Quattrotretre loan	-	4,667	-	4,667
Payables due to *Cassa Nazionale Ragionieri* (National social security fund for accountants)	-	4,207	9	4,216
Other	-	10	(6)	4
Total	**66,682**	**8,884**	**(17,796)**	**57,770**

The amount of the **Unicredit loan** (**formerly Mediocredito Centrale**), totalling Euro 45,799 thousands, is the non-current portion of the first, second and third tranches disbursed to the Company; see note 4.6 for details.

"**Guarantees issued liability**" of Euro 3,048 thousands is the entry of a non-current asset relating to the same guarantees and is the fair value of liabilities under guarantees issued, having assessed the degree of risk and hence the contingent liabilities in accordance with IAS 37. Since all guarantees were issued in connection with loans extended to subsidiaries, the present value of guarantee fees receivable, recognised as current and non-current financial assets, represents the best estimate of the fair value of contingent liabilities relating to guarantees issued.

The **"GE Capital former Quattrotretre loan"** of Euro 4,667 thousand, arising from the merger with Intek, expires on 30 June 2014. Euro 1,000 thousand, on the other hand, expires on 30 June 2013 and is therefore classified under current liabilities. The interest expense applicable to the loan is determined on the basis of the Euribor rate, calculated on an annual basis, plus a 3.25% spread. The loan is guaranteed by a lien on Intek Group shares owned by the parent Quattroduedue S.p.A. In obtaining the waivers for the merger, the related covenants were suspended until 31 December 2012, but were in any case satisfied.

"Payables due to *Cassa Nazionale Ragionieri* (National social security fund for accountants)" for Euro 4,216 thousand expire on 30 June 2014 and relate to a principal of Euro 3,750 thousand and interest for the remainder. Under short-term financial liabilities there is a further amount of Euro 3,750 thousand which expires on 30 June 2013. Interest is calculated on the basis of the 6-month Euribor plus a 1% spread. The maximum yield envisaged cannot in any case exceed Euro 700 thousand and will be fully paid on the expiry of the final instalment.

"**Other**", on the other hand, relates to the long-term part of a finance lease for a vehicle.

4.16 Bonds issued

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
SFP Intek Group 2012/2017	-	-	46,472	46,472
Intek Group 2012/2017 bonds	-	10,584	10	10,594
Total	**-**	**10,584**	**46,482**	**57,066**

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 shares). There are 22,655,247 Intek Group bonds with a nominal amount of Euro 0.50 issued and in circulation, while 115,863,263 Intek Group shares with a nominal amount of Euro 0.42 were issued and are outstanding. Both the categories of securities have a 5-year duration from 2012 to 2017 and are remunerated at 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 shares 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.

4.17 Other liabilities

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Directors' end-of-term	2,133	-	(2,133)	-
Other	-	1,369	(164)	1,205
Total	**2,133**	**1,369**	**(2,297)**	**1,205**

At 31 December 2011, other liabilities consisted of the end-of-term indemnity approved by the Board of Directors on 29 April 2009, confirming what already approved by the Board of Directors of 14 March 2008, amounting to the prorated average of one year's average pay for each three years of service (or pro-quota for shorter periods) and payable to the Chairman. The payment was envisaged at the moment in which the Chairman left the executive position held. On 19 December 2012 the Board of Directors approved the termination of the accrual of the directors' end-of-term indemnity as from 1 January 2013 and the payment of that accrued up to 30 June 2013, which was therefore classified under current liabilities.

"Other", which comes from Intek, relates to the special situations businesses as part of the taking over of creditors agreements.

4.18 Provisions for risks and charges

	31.12.11	Changes due to merger	Increases	Decreases and reversals	31.12.12
Products warranty provisions	1,600	-	-	-	1,600
Legal risks provisions	87	366	-	-	453
Provisions for risks for tax disputes	-	559	-	-	559
Provisions for risks on disposal of assets	-	1,525	-	-	1,525
Other provisions for risks and charges	-	362	-	-	362
Total	**1,687**	**2,812**	**-**	**-**	**4,499**

The **"Products warranty provision"** was recognised on the merger of the subsidiary Europa Metalli SE.DI. S.p.A. with respect to the warranties on products that had been sold by the subsidiary to the Ministry of Defence.

The provisions for risks and charges arising from the merger, with the exception of the provision for risks on the disposal of assets, mainly relate to the lease and factoring business which was previously conducted by the Fime Group. In particular the **"Provisions for risks for tax disputes"** include an accrual for VAT arising from a scam for non-existent operations of which the company was victim. The provision made covers the whole risk of the dispute.

"Provisions for risks on disposals of assets" 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 disputed higher revenue for the periods guaranteed by Intek. It is noted that Deloro's appeal, made in agreement with Intek Group, against the decision of the competent regional tax commission is currently pending before the Cassation Court.

"**Other provisions for risks and charges**" contain accruals for disputes with former employees.

At the publication date of these financial statements, there were no other significant contingent liabilities.

4.19 Current loans and borrowings

Current financial payables and liabilities consist of:

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Bank loans and borrowings	15,437	-	(4,887)	10,550
Shares of expiring loans	13,481	25,625	(9,821)	29,285
Due to subsidiaries	7,788	-	(6,461)	1,327
Due to former Intek subsidiaries	-	13,656	38	13,694
Guarantees issued liability	5,262	-	(110)	5,152
SFP/Bonds interest cost	-	295	1,677	1,972
Other liabilities	-	3,761	-	3,761
Total	**41,968**	**43,337**	**(19,564)**	**65,741**

"**Bank loans and borrowings**" consists of the use of available lines of credit worth Euro 10,550 thousand.

"**Shares of expiring loans**" refer to:

- Euro 13,190 thousand for the Unicredit S.p.A. (formerly Mediocredito Centrale) loan (see in this regard the comment in paragraph 4.3),
- Euro 15,000 thousand for the GE Capital loan arising from Intek and falling due for Euro 5,000 thousand at the end of March 2013 and for the residual amount in September 2013;
- Euro 1,095 thousand for the GE Capital former Quattrotretre loan.

"**Due to subsidiaries**" is the balance on the current accounts held with KME Partecipazioni.

"**Due to former Intek subsidiaries**" relates, on the other hand, to the balance on the outstanding correspondence accounts with FEB – Ernesto Breda and I2 Capital Partners SGR made at market rates with remuneration envisaged at Euribor plus a spread.

"**Guarantees issued liability**" is the contra entry of a non-current asset relating to the same guarantees; see note 4.11.

"**Other liabilities**" of Euro 3,761 thousand arise from the merger and are largely (Euro 3,750 thousand) due to the *Cassa Nazionale Ragionieri* (National social security fund for accountants) falling due on 30 June 2013.

The net financial position with the details of its main components pursuant to Consob Communication no. 6064293 and the CESR recommendation of 10 February 2005 "R*ecommendations 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

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Due to suppliers	992	938	(138)	1,792
Due to subsidiaries and associates	885	276	(737)	424
Total	**1,877**	**1,214**	**(875)**	**2,216**

The change "**Due to suppliers**" is basically linked to the merger with Intek.

The carrying amount of trade payables approximates their fair value.

4.21 Other current liabilities

	31.12.11	Changes due to merger	Other changes in the period	31.12.12
Due to employees	59	195	(124)	130
Due to social security institutions	19	34	33	86
Due to directors for severance end-of-term indemnity	-	-	2,410	2,410
Tax payables	533	81	(279)	335
Payables due to former lease customers	-	1,366	-	1,366
Due to associates	-	-	382	382
Other payables	929	220	(144)	1,005
Total	**1,540**	**1,896**	**2,278**	**5,714**

"**Due to employees**" refers to amounts due but not yet settled.

"**Tax payables**" mainly includes payables due to tax authorities for withholding taxes to be paid (Euro 229 thousand) and taxes accrued in the year (Euro 102 thousand).

"**Payables due to former lease customers**" arising from the merger relate to sums received by way of advance from customers and not offset with credit entries.

"**Other payables**" contain, among other things, the payables due to members of the corporate bodies (for a total of Euro 224 thousand).

As for "**Due to directors for end-of-term indemnity**", reference should be made to note 4.17.

5. Commitments and guarantees

At the end of June 2010, KME Group S.p.A. and its major subsidiaries operating in the copper and copper-alloy semi-finished products sector obtained from a banking syndicate 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 operation 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 operations up to a ceiling of Euro 600 million, which was renewed in 2011 and expires in June 2014, 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. Intek Group, in this case too, remained solely as guarantor.

In 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 Parent KME Group S.p.A. is jointly committed with its subsidiary KME Partecipazioni S.r.l. which, as from 29 June 2011, acquired the investment in Drive Rent S.p.A.

In addition, it should be noted that 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 value 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 the value of the underlying share on the stock exchange has reached a price of Euro 2.4 per share. In reference to this commitment it should be noted that KME Group S.p.A. remains jointly liable with the subsidiary KME Partecipazioni S.r.l.

As from November 2011 the parent KME Group S.p.A. issued a guarantee for a Euro 2 million loan granted by Intesa SanPaolo to the indirectly controlled subsidiary ErgyCapital S.p.A. In addition, a further guarantee was issued, against a loan of Euro 6.1 million, granted by a banking syndicate, the leader of which was Banca Popolare di Vicenza S.c.p.a., to Società Agricola S. Vito Biogas S.r.l., indirectly controlled by ErgyCapital S.p.A.

In reference to the merged Intek, guarantees were granted for the authorisation of loans to Culti Srl with two sureties issued to Banca Intesa (Euro 480 thousand) and Monte dei Paschi di Siena (Euro 960 thousand). I2 Real Estate S.r.l. was guaranteed a mortgage of Euro 3.5 million (original value on subscription, today the mortgage has been partially repaid and the residual amount is Euro 2.0 million), while for Tecno Servizi S.r.l. a guarantee was provided for a mortgage 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 surety was issued for Euro 11.2 million.

In addition, the company subscribed a stake of the I2 Capital Partners Fund and in December 2012 the residual commitment was reduced to Euro 3.8 million.

6. Notes to the statement of comprehensive income

6.1 Revenue from sales and services

	Year 2011	Year 2012	Change	Change
Revenue from sales and services	2,839	2,609	(230)	-8.10%
Total	**2,839**	**2,609**	**(230)**	**-8.10%**

"Revenue" only includes amounts invoiced to Group companies for financial, insurance, tax and administrative support services.

6.2 Other income

	Year 2011	Year 2012	Change	Change, %
Other	353	-	(353)	-100.00%
Total	**353**	**-**	**(353)**	**-100.00%**

6.3 Personnel expense

	Year 2011	Year 2012	Change	Change, %
Wages and salaries	402	450	48	11.94%
Social security charges	92	115	23	25.00%
Cost of stock option	867	421	(446)	-51.44%
Other personnel expense	9	49	40	444.44%
Total	**1,370**	**1,035**	**(335)**	**-24.45%**

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 on 7 October 2010, the Board of Directors identified the plan benefits and determined the number of options assigned to each benefit, 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 S.p.A. 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) has been determined by independent actuary on the award 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 assigned, at a subscription price of Euro 0.326 per share, one third of which can be subscribed as from the first year after the allocation date; a further third as from the second year after the allocation date, and the final third as from the third year after the allocation date. The final exercise date was set at 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 Remuneration Report.

6.4 Amortisation, depreciation and impairment losses

	Year 2011	**Year 2012**	**Change**	**Change**
Depreciation	17	25	8	47.06%
Amortisation	-	-	-	n/a
Total	**17**	**25**	**8**	**47.06%**

6.5 Other operating costs

This item consists of the following amounts:

	Year 2011	Year 2012	Change	Change, %
Directors' and Statutory Auditors' fees	1,858	1,544	(314)	-16.90%
Professional services	2,092	1,426	(666)	-31.84%
Directors' and Auditors' travel and subsistence	518	461	(57)	-11.00%
Service fees to subsidiaries	4	4	-	0.00%
Charges for legal disputes	858	-	(858)	-100.00%
Legal and company reporting	116	184	68	58.62%
Electricity, heating, postal and telephone costs	27	25	(2)	-7.41%
Insurance premiums	72	82	10	13.89%
Training and seminars	14	17	3	21.43%
Real estate leases	353	375	22	6.23%
Leases and rentals	66	88	22	33.33%
Various tax charges	12	100	88	733.33%
Undeductible VAT	391	180	(211)	-53.96%
Membership fees	23	101	78	339.13%
Other costs	142	19	(123)	-86.62%
Donations	218	139	(79)	-36.24%
Bank fees	11	11	-	0.00%
Provisions releases	(753)	-	753	-100.00%
Accrual for directors' end-of-term indemnity	336	277	(59)	-17.56%
Total	**6,358**	**5,033**	**(1,325)**	**-20.84%**

"Professional services" were affected by the extraordinary operations completed in 2012.

The accrual to directors' end-of-term indemnity is explained in note 4.17.

6.6 Financial income (expense)

	Year 2011	Year 2012	Change	Change, %
Interest income from group companies	5,995	2,402	(3,593)	-59.93%
Dividends	131	-	(131)	-100.00%
Other financial income	6,301	5,206	(1,095)	-17.38%
Total financial income	**12,427**	**7,608**	**(4,819)**	**-38.78%**
Interest expense with group companies	(1,702)	(93)	1,609	-94.54%
Loan interest expense	(3,992)	(1,332)	2,660	-66.63%
Interest expense on securities issued	-	(1,758)	(1,758)	n/a
Other financial expense	(11,217)	(18,473)	(7,256)	64.69%
Total financial expense	**(16,911)**	**(21,656)**	**(4,745)**	28.06%
Net financial expense	**(4,484)**	**(14,048)**	**(9,564)**	**213.29%**

"**Financial income**" consists mainly of:

- interest charged on intercompany accounts at market rates and on the Unicredit S.p.A. (Mediocredito Centrale) loan transferred to subsidiaries of Euro 2,402 thousands;
- commissions payable to Group companies for guarantees given, as mentioned above, totalling Euro 5,168 thousands;

"**Financial expense**" consists mainly of:

- impairment loss of the investment in KME Partecipazioni and KME Recycle for a total of Euro 18,380 thousand as described in paragraph 4.5.
- interest on debt securities issued during the public exchange offers for Euro 1,758 thousand, of which Euro 1,672 thousand for shares and Euro 87 thousand for bonds (the latter had an impact only for one month from the effective date of the merger);
- interest payable to banks for current and non-currents loans of Euro 1,323 thousands;
- interest expense to Group companies on intercompany accounts at market rates amounting to Euro 93 thousands;

6.7 Current and deferred taxes

	Year 2011	Year 2012	Change	Change, %
Current taxes	(412)	(99)	313	-75.97%
Deferred taxes	(436)	(751)	(315)	72.25%
Total taxes	**(848)**	**(850)**	**(2)**	**0.24%**

Reconciliation of tax charge at theoretical rate and the effective charge

	Year 2011	Year 2012
Loss before taxes	(9,037)	(17,532)
Tax charge at theoretical rate	2,485	4,821
- Impairment losses on securities and investments that are non-deductible/non-taxable	(2,668)	(4,963)
- Other	(150)	(609)
- Release/use of deferred taxes from demerger	(282)	-
- Previous year taxes	(23)	134
- IRAP	(210)	(233)
Total effective tax charge	**(848)**	**(850)**

Taxes recognised directly in equity

	Year 2011	Year 2012	Change	Change, %
Capital increase-related expenses	66	44	(22)	-33.33%
Merger costs	-	155	155	n/a
Total	**66**	**264**	**198**	300.00%

7. Other information:

Average number of employees

	Year 2011	Year 2012	Change, %
Executives	1	1	-
Clerical	4	4	-
Total	5	5	-

The average number of employees was not influenced by the merger which occurred at the end of November, while, on the other hand, it impacted on the final number of employees who numbered 12 at 31 December 2012, of whom 3 were executives and 9 clerical.

Financial instruments by categories

	Year 2011	Year 2012	Change
Financial assets at fair value through profit or loss	12,096	25,765	13,669
Held-to-maturity investments	-	-	-
Loans and receivables	86,126	97,006	10,880
Investments in subsidiaries and other companies	468,180	475,859	7,679
Financial liabilities at fair value through profit or loss	12,095	8,236	(3,859)
Financial liabilities at amortised cost	98,432	181,182	82,750

Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items at 31 December 2012:

	Total	Carried at amortised cost	Carried at fair value	Outside the scope of IFRS 7
Investments in subsidiaries	475,859	-	-	475,859
Other non-current assets	18	18	-	-
Non-current financial assets	59,140	38,981	20,159	-
Trade receivables	12,329	12,329	-	-
Other current receivables and assets	13,688	7,224	-	6,464
Current financial assets	44,060	38,454	5,606	-
Total financial assets	**605,094**	**97,006**	**25,765**	**482,323**
Non-current financial liabilities	(57,770)	(54,686)	(3,084)	-
Bonds and SFP	(57,066)	(57,066)	-	-
Other non-current liabilities	(1,205)	(1,205)	-	-
Current financial payables and liabilities	(65,741)	(60,589)	(5,152)	-
Trade payables	(2,217)	(2,217)	-	-
Other current liabilities	(7,931)	(5,419)	-	(2,512)
Total financial liabilities	**(191,930)**	**(181,182)**	**(8,236)**	**(2,512)**

Exposure to credit risk and impairment losses

The carrying amount of financial assets represents the maximum exposure to credit risk of INTEK Group S.p.A.

The ageing of current trade receivables at year end was as follows:

	Gross carrying amount	Impairment at 31 December 2012	Carrying amount
not yet due	1,344	-	1,344
Up to 60 days past due date	-	-	-
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
over 1 year past due	933	(933)	-
Total	**2,277**	**(933)**	**1,344**

There were no changes in the allowance for impairment of Euro 933 thousand.

Currency risk

INTEK Group S.p.A. had no financial statements items or sale or purchase commitments denominated in foreign currencies at year end.

Interest rate risk

The interest rate structure of interest-bearing bank exposures at year end was as follows:

	31/12/2011	31/12/2012
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(126)	(57,066)
Total fixed rate instruments	**(126)**	**(57,066)**
Floating rate instruments		
Financial assets	83,672	77,435
Financial liabilities	(96,429)	(113,303)
Total floating rate instruments	**(12,757)**	**(35,868)**

The fixed rate financial liabilities relate to debt instruments issued during the public exchange offers.

Sensitivity analysis of the cash flows of variable 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 the loss for the year.

Fair value and carrying amount

Pursuant to IFRS 7 para. 25, the carrying amount of financial assets and liabilities is the same as their fair value.

Fair value hierarchy

IFRS 7, para. 27 A 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:

a) Level 1 - listed prices on an active market for the asset or liability to be measured;
b) 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;
(c) Level 3 - inputs not based on observable market data.

The financial instruments, except for a financial asset worth Euro 439 thousand belonging to Level 1, which are recognised in the statement of financial position at fair value are represented by guarantees issued and by units in closed-end and reserved investment funds which fall under level 3. Their fair value is determined by applying a rate which is considered representative of the risk taken on. No income or charges were recognised in the year in profit or loss or in equity.

There were no transfers in 2012 between Levels 1 and 2.

Other financial obligations

Below is a summary showing the minimum irrevocable payment commitments under rental agreements and operating leases at year end:

	31/12/2011	31/12/2012
Within 1 year	306	319
From 1 to 5 years	505	42
Over 5 years	-	-
Total	**811**	**361**

Impact of transactions with related parties

Balance sheet items	31.12.12		
(in Euro)	**Balance**	***of which related parties***	**% of financial statements item**
Non-current financial assets			
Investments in subsidiaries	475,859,131	475,847,243	99.998%
Non-current financial assets	59,140,271	37,669,721	63.696%
Current assets			
Trade receivables	12,328,830	1,343,950	10.901%
Other current receivables and assets	13,687,569	57,196	0.418%
Current financial assets	44,059,511	43,605,735	98.970%
Non-current liabilities			
Financial payables and liabilities	57,769,846	3,084,135	5.339%
Current liabilities			
Financial payables and liabilities	65,741,083	20,173,657	30.687%
Trade payables	2,216,804	424,339	19.142%
Other current liabilities	5,714,036	2,791,475	48.853%
Statement of comprehensive income			
Revenue from sales and services	2,609,481	2,609,481	100.000%
Personnel expense	(1,035,223)	(421,302)	40.697%
Other operating costs	(5,032,956)	(2,147,994)	42.679%
Financial income	7,607,535	7,571,228	99.523%
Financial expense	(21,656,221)	(18,472,151)	85.297%

Disclosure of payments for services rendered by the Independent Auditors

In accordance with article 149 *duodecies* of the “Issuer 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:

	Total	**Intek Group**	**Subsidiaries**
a) audit fees	1,348	192	1,156
b) fees other than audit			
- attestation services relating to			
financial covenants, fairness opinions	325	325	-
- other fees	-	-	-
c) fees charged by network companies	-	-	-
Total	**1,673**	**517**	**1,156**

Annexes to the notes of the statement of financial position at 31 December 2012 of Intek Group S.p.A.

Intek S.p.A.
Statement of financial position
at 30 November 2012
(reclassified in accordance with the Intek Group financial statements)

(in Euro)

Assets	
Non-current financial assets	
Property, plant and equipment	199,479
Investment property	1,557,289
Intangible assets	2,259
Goodwill	6,000,000
Investments (*)	160,929,212
Non-current financial assets	22,160,692
Other non-current assets	17,924
Deferred tax assets	8,343,940
Total non-current assets	**199,210,795**
Current assets	
Trade receivables	11,358,990
Other current receivables and assets	13,038,979
Current financial assets	13,617,388
Cash and cash equivalents	16,686,150
Total current assets	**54,701,507**
Total assets	**253,912,302**
Equity	
Share capital	55,102,420
Other reserves	79,518,726
Retained earnings	25,611,228
Convertible loan	24,000,000
Loss for the year	(3,480,518)
Total equity	**180,751,856**
Liabilities	
Non-current liabilities	
Employee benefits	253,588
Deferred tax liabilities	2,811,214
Financial payables and liabilities	8,884,138
Securities: bonds	10,583,811
Other liabilities	1,369,309
Provisions for risks and charges	2,811,569
Total non-current liabilities	**26,713,629**
Current liabilities	
Financial payables and liabilities	43,336,747
Trade payables	1,213,818
Other current liabilities	1,896,252
Total current liabilities	**46,446,817**
Total liabilities	**73,160,446**
Total liabilities and equity	**253,912,302**

(*) includes for Euro 129,797,392 the investment in KME Group S.p.A.

Intek S.p.A.
Financial statements at 30 November 2012
Statement of financial position

	Euro	30-nov-2012
Assets		
10	Cash and cash equvalents	5.417
30	Assets measured at fair value	35.051.208
60	Receivables	52.775.769
90	Investments	143.401.046
100	Property, plant and equipment	1.756.768
110	Intangible assets	6.002.259
120	Tax assets:	
	a) current	634.646
	b) deferred	8.343.940
140	Other assets	7.852.636
	Total assets	**255.823.689**

	Euro	30-nov-2012
Liabilities and Equity		
10	Payables	53.291.598
20	Outstanding securities	10.879.261
70	Tax liabilities:	
	a) current	-
	b) deferred	2.811.214
90	Other liabilities	3.113.217
100	Post-employment benefits	253.588
110	Provisions for risks and charges	
	b) other provisions	4.722.954
120	Share Capital	55.102.420
140	Equity instruments	24.000.000
150	Share issue premium	53.622.815
160	Reserves	51.507.140
180	Loss for the year	(3.480.518)
	Total liabilities and equity	**255.823.689**

Intek S.p.A.
Financial statements at 30 November 2012
Income Statement

	Euro	**01/01 - 30/11 2012**
10.	Interest and similar income	949.118
20.	Interest and similar expense	(1.390.527)
	Net interest expenses	**(441.409)**
30.	Fee and commission income	-
40.	Fee and commission expense	(444.350)
	Net fees and commission expense	**(444.350)**
50.	Dividends and similar income	924
60.	Net trading loss	(20.021)
80.	Financial assets and liabilities at fair value, net	842.530
	Total income	**(62.326)**
100.	Impairment losses/reversal of impariment losses on:	
	a) financial assets	(6.836.771)
110.	Administrative expenses	
	a) personnel expense	(1.637.035)
	b) other administrative expense	(3.187.329)
120.	Impairment losses/reversal of impariment losses on property, plan and equipment	(96.395)
130.	Impairment losses/reversal of impariment losses intangible	(605)
150.	Accruals to provisions for risks and charges	6.567.442
160.	Other operating income and expense	319.137
	Operating Loss	**(4.933.882)**
170.	Gains (losses) on investments	-
	Loss on continuing operations	**(4.933.882)**
190.	Income taxes in the year on continuing operations	1.453.364
	Profit (loss) oncontinuing operations net of taxes	**(3.480.518)**
200.	Profit (loss) from groups of assets held for sale, net of taxes	-
	Loss for the year	**(3.480.518)**

Quattrotretre S.p.A.
Financial statements at 30 November 2012
Statement of financial position

Statement of financial position Assets	30 November 2012
	Euro
Fixed Assets	
Financial	
Investment in:	
Subsidiaries	174.413.127
Total assets	**174.413.127**
Current assets	
Receivables due from parents	
-within 12 months	15.946
	15.946
4-ter) Deferred tax assets	
- within 12 months	2.750
	2.750
5) Due others	
- within 12 months	1
	1
	18.697
Liquid funds	
Bank and post office accounts	4.790
Total curent assets	**23.487**
Total assets	**174.436.614**

Statement of financial position liabilities	30 November 2012
	Euro
Equity	
Share capital	5.000.000
share premium reserve	123.026.476
Net loss for the year	(1.958.420)
Total Equity	**126.068.056**
Payables	
Bonds	
- within 12 months	-
- over 12 months	25.060.538
	25.060.538
Payables due to banks	
- within 12 months	10.560.253
- over 12 months	4.666.667
	15.226.920
Trade payables	
- within 12 months	11.561
	11.561
Payables due to parents	
- within 12 months	111.793
	111.793
12) Tax payables	
- within 12 months	980
	980
Other payables	
- within 12 months	-
- over 12 months	7.956.766
	7.956.766
Total payables	**48.368.558**
Total liabilities	**174.436.614**

Drawn up in accordance with Italian accounting standards

Quattrotretre S.p.A.
Financial statements at 30 November 2012
Income Statement

Income statement	**30 November 2012**
	Euro
Production revenues	
Total production revenues	**-**
Production cost	
Services	127,751
Total production cost	**127,751**
Operating loss	**(127,751)**
16) Other financial income:	
- other income	2
	2
Interest and other financial charge:	
- to parent s	1,060,538
- other	772,883
	1,833,421
Net financial charges	**(1,833,419)**
Loss before taxes	**(1,961,170)**
Income taxes for the year - current and deferred	(2,750)
Net loss for the period	**(1,958,420)**

List of the investments at 31.12.2012 and changes compared to 31.12.2011

(includes disclosure pursuant to article 126 of Consob regulation no. 11971/99)

Investments (in Euro)	Par value	Balance at 31.12.2011		Changes for the year (+ / -)		Adjustments	Balance at 31.12.2012				Stock market price 31.12.2012		Change
	Euro	Quantity	Value	Quantity	Value		Quantity	%	Average carrying amount	Carrying amount	Value Per share	Value	
Subsidiaries and other investments (recognised in non-current financial assets)													
KME A.G.	No par value	27,918,276	380,073,794		35,517	0	27,918,276	100.00		380,109,311			
KME Recycle S.r.l.[1]	1	2,000,000	9,500,000	0	(9,500,000)	0	2,000,000	100.00		0			
KME Germany Beteiligungs Gmbh (2)		0	0		1,000,000		0	100.00		1,000,000			
KME Partecipazioni S.p.A.[3]		1	78,277,500			(14,879,500)	1	100.00		63,398,000			
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 par value		-	2,313,179,255	2,352,154		2,313,179,255	86.35		2,352,154			
I2 Real Estate Srl	110,000		-	1	16,463,673		1	100.00		16,463,673			
Malpaso Srl	10,000		-	1	82,343		1	100.00		82,343			
Rede Immobiliare Srl	49,100		-	1	8,700,000		1	49.10		8,700,000			
Idra International SA	50,569.400		-	1	1		1	100.00		1			
Intomalte SpA	516.46		-	200	1		200	20.00		1			
Inteservice 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		1	88.00		500,000			
Total			**467,851,294**		**22,134,452**	**(14,879,500)**				**475,106,246**			
Subsidiaries and other investments (recognised in current assets)													
Total					-								
Subsidiaries and other investments (recognised in current assets - held for sale)													
Total					-								
Treasury Shares (deducted from equity)													
KME Group S.p.A. savings shares[4]	No par value	135,831	97,058	(135,831)	(97,058.00)		0		0.00	0	0.000	0	0
KME Group S.p.A. ord. shares[4]	No par value	7,602.700	2,583,258	(7,602,700)	(2,583,258)		0		0.00	0	0.000	0	0
Intek Group S.p.A. savings shares[5]	No par value			978,543	569,427		978,543	0.00	0.58	569,427	0.398	389,460	(179,967)
Intek Group S.p.A. ord. shares[5]	No par value			6,230,691	1,973,233		6,230,691	0.00	0.32	1,973,233	0.332	2,068,589	95,356
Total			**2,680,316**		**(137,655.52)**					**2,542,660**			**(84,611)**
Total			**470,531,610**		**21,996,796**	**(14,879,500)**				**477,648,906**			**(84,611)**

(1) KME Recycle S.p.A. as from 23 April 2012 became an S.r.l. (company limited by quota) and on 23 November 2012 was transferred to KME A.G.

(2) On 20 July 2012 KME Germany Gmbh & Co KG. bought 100% of KME Beteiligungsgesellschaft mit beschraenkter Haftung which, as from 23 July 2012 changed its name to KME Germany Beteiligungs Gmbh

(3) KME Partecipazioni S.r.l. on 18 September became an S.p.A. (company limited by share).

(4) For the changes in the year, refer to the Report on Corporate Governance para. 3.1

(5) Shares from the withdrawal operation in Intek S.p.A. and therefore from the merger. Refer to the Report on Corporate Governance para. 3.9

List of indirect investments

		Reg. office	Business	Share/Quota capital Currency	Amount	Direct investmens at 31.12.2012 %	Name	% Total Investments
KME Germany Gmbh & Co. K.G.	(1)	Germany	Industrial	Euro	€ 180,500,000.00	100.00	KME A.G.	100.00
Kabelmetal Messing Bet. GmbH, Berlin		Germany	Real estate	Euro	€ 4,514,200.00	100.00	KME A.G.	100.00
KME Verwaltungs - und Dienstleistungsgesellschaft								
mit beschraenkter Haftung		Germany	non operating	Euro	€ 10,225,838.00	100.00	KME A.G.	100.00
Evidal Schmoele Verwaltungsgesellschaft mbH		Germany	non operating	Euro	€ 30,000.00	50.00	KME A.G.	50.00
Fricke Gmbh	(6)	Germany	Industrial	Euro	€ 50,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME Brass Germany GmbH	(5)	Germany	Industrial	Euro	€ 50,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME France S.A.S.		France	Industrial	Euro	€ 15,000,000.00	100,00	KME A.G.	100.00
KME Yorkshire Ltd.		UK	Industrial	LST	€ 10,014,603.00	100,00	KME A.G.	100.00
KME Italy S.p.A		Italy	Industrial	Euro	€ 103,839,000.00	100.00	KME A.G.	100.00
Immobiliare Agricola Limestre S.r.l.	(7)	Italy	Real estate	Euro	€ 110,000.00	100.00	KME A.G.	100.00
KME Recycle S.r.l.	(8)	Italy	Holding	Euro	€ 2,000,000.00	100.00	KME A.G.	100.00
KME Moulds Mexico S.A. de C.V.		Mexico	Trading	MXN	€ 7,642,226.00	99.00	KME A.G.	100.00
						1.00	Kabelmetal Messing Bet. GmbH, Berlin	
Dalian Dashan Chrystallizer Co. Ltd.		China	Industrial	RMB	€ 10,000,000.00	70.00	KME A.G.	70.00
Dalian ETDZ Surface Machinery Co. Ltd.		China	Industrial	RMB	€ 5,500,000.00	70.00	KME A.G.	70.00
Dalian Dashan Heavy Machinery Co. Ltd		China	Industrial	RMB	€ 20,000,000.00	70.00	KME A.G.	70.00
KME Metals (Shanghai) Trading Ltd.		China	Trading	USD	€ 100,000.00	100.00	KME A.G.	100.00
KME S.r.L.	(10)	Italy	Finance	Euro	€ 115,000.00	100.00	KME A.G.	100.00
KME Engineering S.r.l.	(3)	Italy	non operating	Euro	€ 10,000.00	100.00	KME A.G.	100.00
Zahner KME GmbH		Germany	Trading	Euro	€ 25,000.00	50.00	KME Germany Gmbh & Co. K.G.	50.00
KME Service Russland Ltd.		Russia	Trading	RUB	€ 10,000.00	70.00	KME Germany Gmbh & Co. K.G.	70.00
Bertram's GmbH		Germany	Services	Euro	€ 300,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME Czech Republic S.r.o.		Repubblica Ceca	Trading	CZK	€ 100,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME Moulds Service Australia PTY Ltd.		Australia	Trading	AUD	€ 100.00	65.00	KME Germany Gmbh & Co. K.G.	65.00
KME Chile Lda.		Chile	Metals trading	PSC	€ 9,000,000.00	99.00	KME Germany Gmbh & Co. K.G.	100.00
						1.00	KME Metal GmbH	
KME Asia Pte. Ltd.		Singapore	Trading	$SG	€ 200,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME America Inc.		US	Trading	USD	€ 5,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME Marine Service America LLC	(5)	US	Industrial	USD	€ 1,000.00	100.00	KME America Inc.	100.00
KME Hungaria Szinesfem Kft.		Hungary	Trading	HUF	€ 3,000,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME (Suisse) S.A.		Switzerland	Trading	FS	€ 250,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
KME Kalip Servis A.S.		Turkey	Trading	TRY	€ 50,000.00	85.00	KME Germany Gmbh & Co. K.G.	85.00
KME Polska Sp.z.o.o.		Poland	Trading	PLZ	€ 250,000.00	100.00	KME Germany Gmbh & Co. K.G.	100.00
P.H.M. Pehamet Sp.Zo.o.	(2)	Poland	Trading	PLN	€ 7,865,000.00	59.79	KME Germany Gmbh & Co. K.G.	59.79
Metalcenter Danmark A/S		Danmark	Holding	DKK	€ 1,524,880.00	30.00	KME Germany Gmbh & Co. K.G.	30.00
KME India Private Ltd.		India	Trading	INR	€ 5,897,750.00	99.80	KME Germany Gmbh & Co. K.G.	100.00
						0.20	KME A.G.	
AMT - Advanced Mould Technology India Private Ltd.		India	Industrial	INR	€ 28,766,250.00	90.61	KME Germany Gmbh & Co. K.G.	90.61
N.V. KME Benelux		Belgium	Trading	Euro	€ 62,000.00	84.70	KME Germany Gmbh & Co. K.G.	100.00
						15.30	KME France S.A.S.	
KME Solar Italy S.r.l.	(4)	Italy	Architectural solutions	Euro	€ 10,000.00	98.00	KME Germany Gmbh & Co. K.G.	98.00
KME Brass France S.A.S.		France	Industrial	Euro	€ 7,800,000.00	100.00	KME France S.A.S.	100.00
Société Haillane de Participations S.A.		France	non operating	Euro	€ 40,000.00	99.76	KME France S.A.S.	99.76
KME Brass Italy S.r.l.		Italy	Industrial	Euro	€ 15,025,000.00	100.00	KME Italy S.p.A.	100.00
EM Moulds S.r.l.		Italy	Trading	Euro	€ 115,000.00	100.00	KME Italy S.p.A.	100.00
Editoriale Fiorentina S.r.l.		Italy	Publishing	Euro	€ 1,000,000.00	7.13	KME Italy S.p.A.	7.13
KME Spain S.A.		Spain	Trading	Euro	€ 1,943,980.00	99.86	Kabelmetal Messing Bet. GmbH, Berlin	99.86
KME Ibertubos S.A.		Spain	Industrial	Euro	€ 332,100.00	100.00	KME Spain S.A.	100.00
Cuprum S.A.		Spain	Services	Euro	€ 60,910.00	100.00	KME Spain S.A.	100.00
Yorkshire Copper Tube		UK	non operating	LST	€ 3,261,000.00	100.00	KME Yorkshire Ltd.	100.00
Europa Metalli - Tréfimétaux U.K. Ltd.		UK	non operating	LST	€ 500,000.00	100.00	KME Yorkshire Ltd.	100.00
XT Ltd.		UK	non operating	LST	€ 430,000.00	100.00	KME Yorkshire Ltd.	100.00
Irish Metal Industries Ltd.		Ireland	Trading	Euro	€ 127.00	100.00	KME Yorkshire Ltd.	100.00
Yorkshire Copper Tube (Exports) Ltd.		UK	non operating	LST	€ -	100.00	Yorkshire Copper Tube	100.00
GreenRecycle S.r.l.	(9)	Italy	Metals trading	Euro	€ 500,000.00	100.00	KME Recycle S.r.l.	100.00
Valika SAS		France	Metals trading	Euro	€ 200,000.00	51.00	KME Recycle S.r.l.	51.00
ErgyCapital S.p.A. (ordinary shares)	(11)	Italy	Services	Euro	€ 24,678,332.00	51.94	KME Partecipazioni S.p.A.	51.94
ErgyCapital S.p.A. (warrants)		Italy	Services	Euro		66.60	KME Partecipazioni S.p.A.	66.60
Intek Group S.p.A. (savings shares)	(13)	Italy	Holding	Euro	€ 314,225,009.80	**0.05**	KME Partecipazioni S.p.A.	0.05
Il Post S.r.l.		Italy	Services	Euro	€ 128,250.00	30.43	KME Partecipazioni S.p.A.	30.43
Culti S.r.L.		Italy	Furnishing	Euro	€ 100,000.00	100.00	KME Partecipazioni S.p.A.	100.00
Cobra Automotive Technologies S.p.A.		Italy	Services	Euro	€ 11,647,352.52	51.40	KME Partecipazioni S.p.A.	51.40
HC S.r.l.	(12)	Italy	Trading	Euro	€ 10,000.00	100.00	Culti S.r.L.	100.00
Culti A.G.		Switzerland	Trading	CHF	€ 100,000.00	100.00	Culti S.r.L.	100.00
Culti USA LLC		US	Trading	$US	€ -	100.00	Culti S.r.L.	100.00
Tecno Servizi Srl	(14)	Italy		Euro	€ 50,000.00	100.00	I2 Real Estate Srl	100.00
Rede Immobiliare Srl		Italy		Euro	€ 90,000.00	51.02	Malpaso Srl	100.00
						48.98	Intek Group SpA	
Breda Energia SpA in liquidazione		Italy		Euro	€ 5,164,568.99	99.95	Bredafin Innovazione SpA in liquidaz.	100.00
						0.05	FEB Ernesto Breda SpA	
Bredafin Innovazione SpA in liquidazione		Italy		Euro	€ 104,840.75	100.00	FEB Ernesto Breda SpA	100.00
FEB Investimenti Srl		Italy		Euro	€ 10,000.00	100.00	FEB Ernesto Breda SpA	100.00

Investments sold and disposed of:
- KME Austria Vertriebsgesellschaft mbH: on 7 September completed its liquidation and was stuck from the Companies Register
- KME Germany Gmbh & Co. K.G. on 28 August 2012 acquired from KME A.G. the whole investment in KME Architectural Metals Gmbh and in KME Metal Gmbh, subsequently on 18 December 2012 the merger of KME Metal Gmbh and KME Architectural Metals Gmbh in KME Germany Gmbh & Co. K.G. became effective
- KME Locsa S.A.U. with effect from 21 December was merged into KME Spain S.A.

New investments/changes:

(1) On 20 July 2012 the investment of KME Ag in KME Germany A.G. & CO. K.G. reached 100% and the investment of KME Beteiligungs mbh in the same company was cancelled and this company became its general partner with the new name KME Germany Beteiligungs Gmbh;
KME Germany Ag & Co. KG as from 23 July 2012 changed its name to KME Germany Gmbh & Co. KG;
KME Germany Gmbh & Co. KG increased its share capital from € 180,001,000 to € 180,500,000
(2) KME Germany Gmbh & Co. KG on 20 March bought a further 29.79% of P.H.M. Pehamet Sp.Zo.o
(3) KME Italy S.p.A. on 22 March 2012 set up KME Engineering S.r.l., recorded in the Companies Register on 4 April 2012 .
On 23 November 2012 the whole investment was sold to KME A.G.
(4) KME Germany Gmbh & Co. KG on 21 May 2012 bought a further 16% of KME Solar Italy Srl and on 2 August 2012 purchased a further 2%
(5) KME Germany Gmbh & Co. KG on 20 July 2012 bought the whole investment in KME Brass Germany GMBH from KME A.G.
(6) On 13 April 2012 KME Architectural Metals Gmbh & Co K.G. changed its name to Fricke Gmbh & Co. K.G.
On 24 August 2012 Fricke Gmbh & Co. KG changed its name to Fricke Gmbh
KME Germany Gmbh & Co. KG on 28 August 2012 bought from KME AG the whole investment in Fricke Gmbh
(7) On 23 November 2012 KME A.G. bought the whole investment in Immobiliare Agricola Limestre S.r.l. from KME Partecipazione S.p.A.
(8) On 23 November 2012 KME A.G. bought the whole investment in KME Recycle S.r.l. from KME Group S.p.A. (now Intek Group S.p.A.)
(9) Metalbuyer S.p.A. as from 26 April 2012 became an S.r.L. (limited by shares company) and as from 24 October 2012 changed name to GreenRecycle S.r.l.
(10) KME Service S.r.l. as from 19 December 2012 changed its name to KME S.r.l.
(11) Following the resolution of the shareholders' meeting of 27 April 2012 ErgyCapital Spa reduced its share capital from € 62,974,180.48 to € 24,678,331.77 due to losses pursuant to art. 2446 para. 2 of the Italian Civil Code.
(12) Following the resolution of the shareholders' meeting of 13 December 2012 HC S.r.l. reduced its share capital from € 50,000.00 to € 10,000.00 due to losses under art. 2482 ter of the Civil Code.
(13) The 2,184,369 Intek Spa savings shares were swapped for 2,512,024 Intek Group SpA shares during the merger between KME Group SpA and Intek S.p.A.
The % held is in relation to the share capital consisting of 50.109.818 savings shares. For further details refer to the Report on Corporate Governance para. 3.9
(14) Acquired following the merger of Intek S.p.A.

INTEK GROUP

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 *BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 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 Marco Miniati, the Manager in charge of Financial Reporting of INTEK Group S.p.A., 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 separate financial statements for 2012.

2. Intek Group S.p.A., established as a result of the merger of Intek S.p.A. into KME Group S.p.A. on 30 November 2012, implemented a structured process for the full management of the internal control system for the purposes of Law 262/05.

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 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.

   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, 27 March 2013.

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Marco Miniati*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements as at 31 December 2012

Dear Shareholders,

The Board of Statutory Auditors hereby reports on the draft financial statements approved during the meeting of the Board of Directors of 27 March 2013 – 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 (communication no. DEM/1025564 of 6 April 2001).

Significant events occurred in 2012

Certainly, the most significant transaction of the year is, on the one hand, the public exchange offer of ordinary shares – which were then cancelled – and listed bonds (PFI), as detailed in the Directors' Report prepared by the Board of Directors and, on the other hand, the conclusion of the merger of KME Group spa and INTEK spa and the latter's Parent 433 spa, as defined in the merger plan approved by the Board of Directors on 27 January 2012. The relevant final merger deed was prepared on 15 November 2012.

Detailed information on these transactions was also provided in the reports on the 2011 financial statements.

The total amount recognised in the financial statements as at 31 December 2012 regarding the instruments issued in relation to the aforementioned public exchange offer, with a single maturity date set at 3 August 2017, is equal to Euro 57,066 thousand. This amount also includes the bonds issued by INTEK for a public exchange offer similar to the one carried out by KME Group.

As better detailed in the Directors' Report, in regard to the aforementioned merger, a group of shareholders took legal action to have the merger resolutions declared invalid as they negatively affected the company's interests.

Specific information on these lawsuits and the related outcomes is provided in the Directors' Report.

The Board of Statutory Auditors requested a specific assessment from the company's lawyers regarding the possible outcomes of this dispute and although they cannot reasonably assess the related risks, they do note that the plaintiff did not claim for damages or provided elements with which to calculate the relevant amount.

Atypical or unusual transactions, including intragroup or related party transactions

No atypical or unusual transactions took place during the year, except for the merger and the issue of PFI referred to in the paragraphs above, which took place in compliance with the provisions of the Related Parties Regulation, as already pointed out in the report on 2011 financial statements.

Comments on ordinary transactions are provided in the Notes to the financial statements.

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 legal action taken by certain shareholders against the merger between INTEK spa and KME Group spa was discussed above.

No reports have been submitted by shareholders pursuant to article 2408 of the Italian Civil Code.

Independent Auditors' services

In addition to auditing, for which total consideration of Euro 117 thousand was paid by the Parent, further Euro 1,156 thousand were paid by the Group for auditing.

With its resolution of 27 March 2013, the Board of Directors proposed an adjustment to the Independent Auditors' fees, due to the organisational changes that took place as a result of the merger.

During the year Independent Auditors were assigned further responsibilities, as detailed below:

- assess the adequacy of the exchange ratio for the merger;
- assess the pro forma income, equity and financial position of the company with reference to the merger;
- check that the issue price of the new shares relating to the second implementation stage of the Stock Option Plan in force with reference to the Board of Directors' resolution of 19 December 2012 (pursuant to article 2441, paragraph IV of the Italian Civil Code) is equal to market value.

Total consideration for these issues amounted to Euro 400 thousand.

Opinions issued by KPMG in compliance with legal requirements

In 2012, the Independent Auditors, KPMG, issued the opinions set forth in the paragraph above.

Supervisory activities and information acquired by the Board of Statutory Auditors

During 2012, the members of the Board of Statutory Auditors participated in the Shareholders' Meetings held on 9 May 2012 and 28 June 2012 and the meetings of the Board of Directors held on 27 January 2012, 28 March 2012, 9 May 2012, 14 May 2012, 11 June 2012, 28 June 2012, 27 July 2012, 3 August 2012, 14 September 2012, 13 November 2012 and 19 December 2012.

The Board of Statutory Auditors also held six meetings in 2012, in particular on 28 February 2012, 20 April 2012, 28 May 2012, 20 July 2012, 12 September 2012 and 13 November 2012 as required by article 2404 of the Italian Civil Code.

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 number of meetings of the company's Internal Control Committee 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 article 114, paragraph 2 of Legislative Decree 58/1998;
e) where deemed necessary, also had contacts with several members of the Boards of Statutory Auditors of certain subsidiaries and the managers of the relevant auditing companies and joint board of statutory auditors' meetings were held with the members of the Board of Statutory Auditors of the main Italian subsidiary KME Italy;
f) verified that all impairment testing procedures at Group level took place with the support of the appropriate independent advisers, 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 2012, participated in the meetings of the Remuneration Committee held on 28 March 2012 and 12 December 2012 and in the meetings of the Control and Risks Committee held on 16 January 2012, 23 January 2012, 26 January 2012, 28 March 2012 and 3 August 2012;
i) also participated in the meetings held by the Supervisory Board, pursuant to Law 231/01 on 19 July 2012 and 21 December 2012;

j) 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.

The Board of Statutory Auditors periodically verified each of its members' "independence" and "professionalism", in addition to the independence of members of the Board of Directors and, generally, the lack of any obstacles to their ability to hold the positions to which they were appointed, and compliance with the rule on the total number of positions held.

Analysis of the 2012 separate financial statements

Financial statements as at 31 December 2012 show a loss of Euro 18,382,168.

As indicated both in the Directors' Report and in the Notes, this negative result is mainly due to the write-down of the equity investments in KME Partecipazioni and KME Recycle amounting to Euro 18,380 thousand.

In particular, as detailed in the Directors' Report, with reference to investee Cobra AT, the covenants provided for by a loan agreement (Euro 28.5 million) were not complied with due to market performance and the failure to conclude the sale of the electronics division.

In this regard, negotiations are currently underway with the banks that financed the Cobra group in order to reach a standstill agreement up to 30 September 2013 on the existing credit lines.

This generates significant uncertainty with reference to the impact of the standstill agreement insofar as the company's ability to continue to operate on a going concern basis is concerned.

In any case, the Board of Directors of this investee decided to approve the 2012 draft financial statements considering the aforementioned going concern basis as being applicable.

As far as the Group's outstanding credit lines are concerned, it should be pointed out that the Board of Directors indicated in its Report that, with reference to 2012 financial statements figures, the relevant covenants with the banks have been complied with.

Also worthy of note are the agreements with the main credit institutions financing the Group, which are duly described in the Directors' Report and are aimed at transferring from Intek Group S.p.A. to the German sub-holding company KME A.G. credit lines which had been entered into in order to satisfy the financial requirements of the copper sector business units. Intek Group continues to guarantee for these credit lines.

On 9 April 2013 the Independent Auditors issued an unqualified opinion on the financial statements and disclosure system for the year.

On 27 March 2013 the Chairman of the Company, Vincenzo Manes, and Marco Miniati, the Manager in Charge of Financial Reporting of Intek Group S.p.A., 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 separate and consolidated financial statements for the year 2012, and the compliance of the financial statements with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors hereby expresses its opinion in favour of approving financial statements as at 31 December 2012 with a net loss of Euro 18,382,168 to be covered through the use of the following reserves:

Euro 3,336,965 from the Demerger Surplus Reserve;

Euro 7,891,571 from the Merger Surplus Reserve;

The remaining amount of Euro 7,153,632 is taken from the Extraordinary Reserve which, as a result of this, falls from Euro 22,580,934 to Euro 15,427,302.

Milan, 9 April 2013

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(Marco Lombardi)

The standing auditor

(Francesca Marchetti)

The standing auditor

(Lorenzo Boni)

KPMG S.p.A.
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(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. (formerly KME Group S.p.A.) as at and for the year ended 31 December 2012, 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 20 April 2012 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 2012 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 2012, 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 the 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 the 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 the 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 2012.

Milan, 9 April 2013

KPMG S.p.A.

(signed on the original)

Piero Bianco
Director of Audit

INTEK GROUP
Consolidated financial statements
31 December 2012

Intek Group – Consolidated Financial Statements at 31 December 2012

Statement of financial position

(Thousands of Euro)	Notes	31-Dec-12		31-Dec-11	
			Of which Related parties		*Of which Related parties*
Property, plant and equipment	***4.1***	**562,751**		**580,114**	
Investment property	***4.2***	**80,104**		**30,812**	
Goodwill	***4.3***	**125,801**		**118,367**	
Intangible assets	***4.4***	**3,545**		**2,982**	
Investments in subsidiaries and associates	***4.5***	**13,810**	***13,810***	**15,152**	***15,152***
Investments in other companies	***4.5***	**270**	***270***	**258**	***258***
Investments in equity-accounted investees	***4.5***	**35,221**	***35,221***	**46,625**	***46,625***
Other non-current assets	***4.6***	**8,318**		**8,560**	
Non-current financial assets	***4.7***	**24,711**		**4,589**	
Deferred tax assets	***4.22***	**42,567**		**31,491**	
Total non-current financial assets		897,098		838,950	
Inventories	***4.8***	**570,993**		**607,483**	
Trade receivables	***4.9***	**129,846**	***6,175***	**129,489**	***6,835***
Other current receivables and assets	***4.10***	**50,028**		**31,980**	
Current financial assets	***4.11***	**112,876**	***14,133***	**251,902**	***7,182***
Cash and cash equivalents	***4.12***	**65,813**		**66,483**	
Non-current assets held for sale	***4.13***	**4,590**		**-**	
Total current assets		934,146		1,087,337	
Total Assets		1,831,244		1,926,287	
Share capital		**314,225**		**297,041**	
Reserves		**129,110**		**186,674**	
Treasury shares	***2.11***	**(3,998)**		**(2,680)**	
Retained earnings		**72,188**		**72,188**	
Convertible loan	***2.11***	**24,000**		**-**	
Consolidation reserves	***4.14***	**(104,979)**		**(107,852)**	
Reserve for other comprehensive income	***4.14***	**(62)**		**(80)**	
Loss for the year		**(78,732)**		**(15,493)**	
Equity attributable to owners of the Parent	***2.11***	351,752		429,798	
Non-controlling interests		**6,743**		**6,062**	
Total Equity	***2.11***	358,495		435,860	
Employee benefits	***4.15***	**156,571**		**153,439**	
Deferred tax liabilities	***4.22***	**117,034**		**119,133**	
Non current loans and borrowings	***4.16***	**399,050**		**266,669**	
Other non-current liabilities	***4.17***	**17,528**		**20,320**	***2,133***
Provisions for risks and charges	***4.18***	**31,167**		**17,128**	
Total non-current liabilities		721,350		576,689	
Loans and borrowings	***4.19***	**119,913**	***816***	**247,776**	***2,417***
Trade payables	***4.20***	**503,693**	***339***	**526,938**	***701***
Other current liabilities	***4.21***	**106,044**	***2,791***	**123,009**	***563***
Provisions for risks and charges	***4.18***	**21,749**		**16,015**	
Total current liabilities		751,399		913,738	
Total equity and liabilities		1,831,244		1,926,287	

Intek Group – Consolidated financial statements at 31 December 2012

Statement of comprehensive income

(thousands of Euro)	*Notes*	2012		2011	
			Of which with Related parties		*Of which with Related parties*
Revenue from sales and services	*5.1*	**2,571,454**	*14,040*	**3,011,637**	*20,778*
Change in finished goods and semi-finished products		**(5,087)**		**948**	
Internal work capitalised		**3,111**		**4,960**	
Other operating income	*5.3*	**19,590**	*(171)*	**24,268**	*31*
Purchases and change in raw materials	*5.2*	**(1,921,859)**	*(56)*	**(2,264,171)**	*(106)*
Personnel expense	*5.4*	**(331,412)**	*(458)*	**(358,195)**	*(986)*
Amortisation, depreciation and impairment losses	*5.5*	**(51,672)**		**(55,636)**	
Other operating costs	*5.6*	**(326,429)**	*(7,194)*	**(345,043)**	*(8,817)*
Operating profit/(loss)		(42,304)		18,768	
Financial income	*5.7*	**10,607**	*495*	**29,521**	*714*
Financial expense	*5.7*	**(38,141)**	*(2,925)*	**(35,703)**	*(2,913)*
Share of losses equity-accounted investees	*5.8*	**(7,319)**	*(7,319)*	**(8,324)**	*(8,324)*
Profit/(loss) before taxes		(77,157)		4,262	
Current taxes	*5.9*	**(7,707)**		**(21,878)**	
Deferred taxes	*5.9*	**6,696**		**3,781**	
Total income taxes		(1,011)		(18,097)	
Loss from continuing operations		(78,168)		(13,835)	
Profit/(loss) from discontinued operations	*5.10*	**-**		**(573)**	*(573)*
Loss for the period		(78,168)		(14,408)	
Other comprehensive income:					
Gains on translation of foreign operations		**181**		**1,186**	
Net change in hedging reserve		**(848)**		**(852)**	
Revaluation of real estate assets (IAS 40)		**975**		**-**	
Taxes on other comprehensive income		**(306)**		**-**	
Other components of total comprehensive income after taxes		2		334	
Total comprehensive expense for the year		(78,166)		(14,074)	
Profit/(loss) for the year attributable to:					
non-controlling interests		**564**		**1,085**	
owners of the Parent		**(78,732)**		**(15,493)**	
Profit/(loss) for the period		(78,168)		(14,408)	
Total comprehensive income/(expense) attributable to:					
non controlling interest		**534**		**368**	
owners of the Parent		**(78,700)**		**(14,442)**	
Total comprehensive expense for the year		(78,166)		(14,074)	
Earnings per share (Euro):					
basic loss per share		**(0.1999)**		**(0.0417)**	
diluted loss per share		**(0.1868)**		**(0.0395)**	

Statement of changes in consolidated equity for 2011

(thousands of Euro)	Share Capital	Other Reserves	Treasury Shares	Retained earnings	Consolidation reserves	Other Comprehensive Income	Profit (loss) for the year	Equity attributable to owner of the Parent	Equity attributable to non-controlling interest	Total Equity
Equity at 31.12.2010	**297,014**	**189,572**	**(2,888)**	**15,191**	**(29,267)**	**794**	**(18,351)**	**452,065**	**4,952**	**457,017**
Allocation of Parent's profit/(loss) for the year		11,045		50,056			(61,101)	-		-
Allocation of subsidiaries' profit for the year					(79,452)		79,452	-		-
Dividends and allocations to the Board of Directors		(7,990)						(7,990)		(7,990)
Issue of new shares (exercise of warrants)	27	30						57		57
(Purchase) sale of treasury shares		18	208					226		226
Deferred taxes recognised in equity						(22)		(22)		(22)
Expiry of stock option		940						940		940
Other changes		(6,941)		6,941	49	-		49	(343)	(294)
Other components of total comprehensive income					818	(852)		(34)	368	334
Total losses/income recognized in equity	**-**	**-**	**-**	**-**	**818**	**(852)**	**-**	**(34)**	**368**	**334**
Profit (loss) for the period							(15,493)	(15,493)	1,085	(14,408)
Total comprehensive income	**-**	**-**	**-**	**-**	**818**	**(852)**	**(15,493)**	**(15,527)**	**1,453**	**(14,074)**
Equity at 31.12.2011	**297,041**	**186,674**	**(2,680)**	**72,188**	**(107,852)**	**(80)**	**(15,493)**	**429,798**	**6,062**	**435,860**
Reclassification of treasury shares	(2,680)		2,680					-		-
Equity at 31.12.2011	**294,361**	**186,674**	**-**	**72,188**	**(107,852)**	**(80)**	**(15,493)**	**429,798**	**6,062**	**435,860**

At 31 December 2011 the Parent directly held 135,831 savings shares and 7,602,700 ordinary shares with no par value.
Their historical cost has been fully reclassified, thus reducing the share capital.

Statement of changes in consolidated equity for 2012

(thousand of euro)	Share Capital	Other reserves	Treasury Shares	Retained earnings	Convertible loan	Consolidation reserves	Other comprehensive income	Profit for the year	Equity attributable to the owners of the Parent	Equity attributable to non controlling interest	Total Equity
Equity at 31.12.2011	**297,041**	**186,674**	**(2,680)**	**72,188**		**(107,852)**	**(80)**	**(15,493)**	**429,798**	**6,062**	**435,860**
Allocation of Parent's profit/(loss) for the year		(9,885)						9,885	-		-
Allocation of subsidiaries' profit for the year		(5,608)						5,608	-		-
Dividends and allocations to the Board of Directors									-		-
Expense for purchase of treasury shares		(801)							(801)		(801)
(Purchase) sale of treasury shares			(46,361)						(46,361)		(46,361)
Treasury shares annulment		(49,041)	49,041						-		-
Deferred taxes recognised in equity							155		155		155
Expiry of stock option		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)
Other components of total comprehensive income							32		32	(30)	2
Total losses/income recognized in equity	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**-**	**32**	**(30)**	**2**
Profit (loss) for the period								(78,732)	(78,732)	564	(78,168)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**(78,732)**	**(78,700)**	**534**	**(78,166)**
Equity at 31.12.2012	**314,225**	**129,110**	**(3,998)**	**72,188**	**24,000**	**(104,979)**	**(62)**	**(78,732)**	**351,752**	**6,743**	**358,495**
Reclassification of treasury shares	(3,998)		3,998						-		-
Equity at 31.12.2012	**310,227**	**129,110**	**-**	**72,188**	**24,000**	**(104,979)**	**(62)**	**(78,732)**	**351,752**	**6,743**	**358,495**
	314,225	**129,110**	**(3,998)**	**72,188**	**24,000**	**(104,979)**	**(62)**	**(78,732)**	**351,752**	**6,743**	**358,495**

At 31 December 2012 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares with no par value. In addition, 2,512,024 savings shares were indirectly held.

Their historical cost has been fully reclassified, thus reducing the share capital.

Intek Group – Consolidated financial statements at 31 December 2012
Statement of cash flows - indirect method

(thousands of Euro)	2012	2011
(A) Cash and cash equivalents at the beginning of the year	**66,483**	**39,751**
Profit/(loss) before taxes	(77,158)	5,462
Depreciation and amortization	46,524	45,396
Impairment losses on current assets	4,764	3,961
Impairment losses on non-current non-financial assets	5,148	10,240
Impairment losses on financial assets	7,279	4,695
Losses/(gains) on non-current assets	(18)	(13,562)
Changes in provisions for pensions, post-employment benefits and stock options	2,883	981
Changes in provisions for risks and charges	5,041	73
Decrease (increase) in inventories	36,874	16,842
Share losses of equity-accounted investees	7,319	9,083
(increase) decrease in current receivables	11,639	25,091
Increase/(decrease) in current payables	(47,597)	123,294
Changes from currency translation	(185)	(330)
Decrease (increase) in LME and metals forward contracts	(11,707)	(49,127)
Taxes paid	(7,979)	(22,194)
(B) Cash flows from (used in) operating activities	**(17,173)**	**159,905**
(increase) in non-current intangible assets and property, plant and equipment	(37,645)	(60,537)
Decrease in non-current intangible assets and property, plant and equipment	1,360	15,766
(increase) decrease in investments	(6,373)	(17,448)
Increase/decrease in other non-current assets/liabilities	(2,890)	7,017
Dividends received	271	852
(C) Cash flows from (used in) investing activities	**(45,277)**	**(54,350)**
Equity cash variations	(47,162)	57
(Purchase) sale of treasury shares	(2,543)	226
Increase (decrease) in current and non-current loans and borrowings	(57,539)	(90,648)
(increase) decrease in current and non-current loan assets	149,438	16,271
Dividends paid and profits distributed	-	(7,990)
(D) Cash flows from (used in)financing activities	**42,194**	**(82,084)**
(E) Change in cash and cash equivalents (B)+(C)+(D)	**(20,256)**	**23,471**
(F) Effect of change in consolidation area (merger)	**19,586**	**3,107**
(G) Total cash flows used in discontinued operations	**-**	**154**
(H) Cash and cash equivalents at the end of the year	**65,813**	**66,483**

Positions or transactions with related parties are not separately recorded in the statement of cash flows since their amount is negligible.

Accounting policies and notes

1. General information

Intek Group S.p.A. (hereafter also “Intek Group” or the “company”) heads a diversified group operating in the sector of copper and copper-alloy semi-finished products, in the sector of advanced services, including energy from renewable sources, in the field of the management of the risks associated with the possession, ownership and use of vehicles and in the financial sector with the management of investments and private equity funds. 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 Group owns industrial plants in various European countries and sells its industrial products in all the major countries of the world.

The company is the result of the merger, which has been effective since 30 November 2012, of Intek S.p.A. into KME Group S.p.A. and which subsequently changed its name to Intek Group S.p.A. The merger was the completion of a complex corporate operation which is described in detail in the Directors’ report.

INTEK Group is a joint stock company (*Società per Azioni*) registered in Italy with the Milan Company Register, no. 00931330583, and its shares are listed on the Mercato Azionario Telematico (Borsa Italiana’s electronic market) organised and managed by Borsa Italiana S.p.A.

The consolidated financial statements at 31 December 2012 were approved by the Board of Directors on 27.03.13 and will be published in accordance with legal requirements.

Although it is owned by Quattroduedue Holding B.V., through the wholly controlled Quattroduedue S.p.A., 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 (3 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 at 31 December 2012 were prepared pursuant to art. 154 ter of Leg. 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 Leg. Decree no. 38/2005, where applicable.

In preparing these 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 and for the year ended 31 December 2011.

The comparative data for the previous year have been restated to reflect the impact from the adjustments made at 31 December 2012 by the investee ErgyCapital to its own financial statements for 2011 as a consequence of the findings noted by Consob. These adjustments led to a decrease in "Investments in equity-accounted investees" of Euro 1,201 thousand and a decrease in the item "Share of loss of equity-accounted investees" for a similar amount. Equity and the loss for the year fell by Euro 1,201 thousand.

In addition, the following standards, amendments and interpretations, some of which were revised as part of the 2011 annual improvements conducted by the IASB, which became effective on or after 01.01.12, have been applied for the first time:

1. **IFRS 7 - Financial instruments (Amendment) – disclosures:** the amendment requires further disclosure on the effects or potential effects of agreements to offset financial assets and liabilities on the statement of financial position, when legally possible. In addition, it includes further disclosure when, in the case of transfers, the transferor keeps a "continuing involvement" in the asset transferred if:
   - it transfers the contractual rights to receive cash flows of that financial asset; or
   - it maintains the contractual rights to receive cash flows, but takes on contractual obligations to other beneficiaries.

   The standard was issued in October 2010. Comparative information is not required in the first year of application.

2. **IAS 12 - Income Taxes:** On 20 December 2010 the IASB issued an amendment which clarifies the determination of deferred taxes on investment property assessed at fair value in accordance with the provisions of IAS 40, by introducing the provision that they must be determined in consideration of the fact that the carrying amount of this asset will be recovered through its sale. Consequently the amendment "SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets" will no longer be applicable. The amendment is applicable from 1 January 2011 retrospectively.

The Group has not yet applied the accounting standards which are listed in paragraph 2.22 and which, although already issued by the IASB, become effective after the date of these consolidated financial statements at 31 December 2012.

Events and transactions affecting the Company are recognised 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 measures, 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 INTEK Group exercises control of financial and operating policies, which is generally accompanied by exercising more than 50% of the voting rights in corporate bodies.

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 was established. Any difference, if positive, is recognised as "goodwill and goodwill arising on consolidation" and in the profit or loss, if negative. The portion of equity and profit 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 the consolidation. These are generally companies with operations consisting entirely of sales. Ignoring 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 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 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.

In particular, it should be noted that, in some circumstances, the company has chosen to adopt IAS 27 which provides for the profit or loss to be recognised in full in profit or loss at the time of the loss of control; the alternative treatment, which the company has chosen not to adopt, is that envisaged by IAS 28, IAS 31 and SIC 13 which provides for the elimination to be applied solely for the share of the equity investment being disposed of.

The aforementioned accounting treatment has been adopted in the 2011 financial statements with reference to the transfer of Drive S.p.A. to Cobra AT S.p.A., as detailed later in the notes.

The following table lists all subsidiaries consolidated on a line-by-line basis.

Company Name	Reg. Office	Currency	Share/Quota Capital	Business	% control direct	% control indirect
Intek Group S.p.A.	**Italy**	**Euro**	**297,040,568**	**Holding**	**Parent**	
KME A.G.	**Germany**	**Euro**	**142,743,879**	**Holding**	**100.00%**	
KME Germany GmbH & Co. KG	**Germany**	**Euro**	**180,500,000**	**Copper and copper-alloy**		**100.00%**
KME Italy S.p.A.	**Italy**	**Euro**	**103,839,000**	**Copper and copper-alloy**		**100.00%**
KME France S.A.S.	**France**	**Euro**	**15,000,000**	**Copper and copper-alloy**		**100.00%**
KME Spain S.A.	**Spain**	**Euro**	**1,943,980**	**Trading**		**99.86%**
KME Verwaltungs und Dienst. mit beschr.	**Germany**	**Euro**	**10,225,838**	**non operating**		**100.00%**
Fricke GmbH	**Germany**	**Euro**	**50,000**	**Copper and copper-alloy**		**100.00%**
Kabelmetal Messing Beteiligungsges mbH Berlin	**Germany**	**Euro**	**4,514,200**	**Real Estate**		**100.00%**
KME Germany Bet. GmbH	**Germany**	**Euro**	**1,043,035**	**Copper and copper-alloy**	**100,00%**	
Cuprum S.A.	**Spain**	**Euro**	**60,910**	**Services**		**100.00%**
Bertram's GmbH	**Germany**	**Euro**	**300,000**	**Services**		**100.00%**
KME Ibertubos S.A.	**Spain**	**Euro**	**332,100**	**Copper and copper-alloy**		**100.00%**
KME Yorkshire Ltd	**UK**	**GBP**	**10,014,603**	**Copper and copper-alloy**		**100.00%**
Yorkshire Copper Tube	**UK**	**GBP**	**3,261,000**	**non operating**		**100.00%**
Yorkshire Copper Tube (Exports) Ltd.	**UK**	**GBP**	**-**	**non operating**		**100.00%**
KME Brass Germany Gmbh	**Germany**	**Euro**	**50,000**	**Copper and copper-alloy**		**100.00%**
KME Brass France S.A.S.	**France**	**Euro**	**7,800,000**	**Copper and copper-alloy**		**100.00%**
KME Moulds Mexico S.A. de C.V.	**Mexico**	**MXN**	**7,642,237**	**Trading**		**100.00%**
Dalian Dashan Chrystallizer Co. Ltd	**China**	**RMB**	**40,000,000**	**Copper and copper-alloy**		**70.00%**
Dalian Surface Machinery Ltd	**China**	**RMB**	**10,000,000**	**Copper and copper-alloy**		**70.00%**
Dalian Heavy Industry Machinery Co. Ltd.	**China**	**RMB**	**20,000,000**	**Copper and copper-alloy**		**70.00%**
KME Brass Italy S.r.l.	**Italy**	**Euro**	**15,025,000**	**Copper and copper-alloy**		**100.00%**
KME S.r.l.	**Italy**	**Euro**	**115,000**	**Finance**		**100.00%**
EM Moulds S.r.l.	**Italy**	**Euro**	**115,000**	**Trading**		**100.00%**
KME Recycle S.r.l.	**Italy**	**Euro**	**2,000,000**	**Finance**		**100.00%**
Immobiliare Agricola Limestre S.r.l.	**Italy**	**Euro**	**110,000**	**Real Estate**		**100.00%**
KME Moulds Service Australia Pty Limited	**Australia**	**AUD**	**100**	**Trading**		**65.00%**
KME Service Russland Ltd	**Russia**	**RUB**	**10,000**	**Trading**		**70.00%**
GreenRecycle S.r.l.	**Italy**	**Euro**	**500,000**	**Metals Tradingi**		**100.00%**
Valika S.A.S.	**France**	**Euro**	**200,000**	**Metals trading**		**51.00%**
KME Partecipazioni S.p.A.	**Italy**	**Euro**	**47,900,000**	**Holding**	**100.00%**	
FEB - Ernesto Breda S.p.A.	**Italy**	**Euro**	**577,671**	**Holding**	**86.34%**	
I2 Capital Partners Sgr S.p.A.	**Italy**	**Euro**	**1,500,000**	**Gestione fondi inv.**	**100.00%**	
I2 Real Estate S.r.l.	**Italy**	**Euro**	**110,000**	**Real Estate**	**100.00%**	
Idra International S.A.	**Luxembourg**	**Euro**	**50,569,400**	**Holding**	**100.00%**	
Inteservice S.r.l. in liquidazione	**Italy**	**Euro**	**90,000**	**In liquidation**	**100.00%**	
Malpaso S.r.l.	**Italy**	**Euro**	**10,000**	**Real Estate**	**100.00%**	
Rede Immobiliare S.r.l.	**Italy**	**Euro**	**90,000**	**Real Estate**	**49.90%**	**50.10%**
Tecno Servizi S.r.l.	**Italy**	**Euro**	**50,000**	**Real Estate**		**100.00%**
Tecsinter S.r.l. in liquidazione	**Italy**	**Euro**	**100,000**	**In liquidation**	**100.00%**	

The changes in the year related to the expansion of the consolidation scope arising from the merger with Intek. The following companies, therefore, joined the consolidation scope: FEB – Ernesto Breda S.p.A., I2 Capital Partners SGR S.p.A., I2 Real Estate S.r.l., Idra International S.A., Inteservice S.r.l. in liquidation, Malpaso S.r.l., Rede Immobiliare S.r.l., Tecno Servizi S.r.l.

and Tecsinter S.r.l. in liquidation. Except for FEB – Ernesto Breda S.p.A., in which the investment is 86.345%, all the other companies from Intek are wholly owned, whether directly and/or directly.

The accounting impact of the merger with Intek coincided with the legal impact and therefore the operations of the merged company are included in the Intek Group financial statements as from 1 December 2012. The merger is an example of "business combinations involving entities or businesses under common control" and as such is excluded from the scope of obligatory application of IFRS 3. Consequently, the merger was accounted for using the principle of continuity in values, as envisaged by the Preliminary Orientations (OPI) of ASSIREVI (Italian Auditors Association) on the IFRS – OPI no. 1 "Accounting treatment of business combinations of entities under common control in separate financial statements and in consolidated financial statements" and OPI no. 2 "Accounting treatment of mergers in separate financial statements". Therefore, the assets and liabilities of Intek were recorded in the consolidated statement of financial position at the same carrying amount at which they were recorded in the financial statements of the merged company at 30 November 2012.

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 Intek Group exercises significant influence but not control. Significant influence is deemed to exist when Intek Group holds, directly or indirectly through subsidiaries, 20% or more of the voting rights in the investee. Investments in associates are consolidated using the equity method.

Under 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 owners of 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 on an equity basis as envisaged by IAS 31 sections 38-41. The value determined by the application of the equity method is lower than that from applying impairment testing to the investees.

At the date of these consolidated financial statements, the Group owned from the equity investment of 43,981,434 ordinary shares or 46.37% of the share capital of ErgyCapital S.p.A. 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 S.p.A. by virtue of the contracts that pledge 25,412,895 ordinary shares of ErgyCapital S.p.A. or 26.80% of the share capital held by KME Partecipazioni S.r.l.

Furthermore the Group continues to hold, with the same objectives, purposes and for a short term period, 5,277,893 ordinary shares or 5.6% of the share capital of ErgyCapital S.p.A. classified, as in previous years, under financial assets held for trading.

Jointly-controlled assets arising from the equity investment also belong to the Group through the subsidiary KME Partecipazioni S.p.a., and are represented by 41,425,750 ordinary shares, equal to 42.68% of the share capital of Cobra A.T. S.p.A. In addition, the Group holds 8,465,810 ordinary shares, equal to 8.72% of the share capital of Cobra A.T. S.p.A. which are classified under financial assets held for trading since they are held for short-term aims. In this case too the control over the economic activity 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 company 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-fifths of the members appointed to it must have the prerequisites for independence pursuant to art. 147-*ter*, TUF.

2.3 Foreign currency transactions

(a) Functional and presentation currency

As already mentioned, all amounts are expressed in Euros which is also the Parent's functional currency.

(b) Translation of foreign currency financial statements

Financial statements in currencies other than the Euro are translated using the average exchange rates for the year 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:

1 Euro	0.8353 GBP	31.12.2011
1 Euro	0.8161 GBP	31.12.12 used for translation of the statement of financial position
1 Euro	0.8115 GBP	2012 average used for translation of the statement of comprehensive income

1 Euro	8.1588 RMB	31.12.2011
1 Euro	8.2207 RMB	31.12.12 used for translation of the statement of financial position
1 Euro	8.1277 RMB	2012 average used for translation of the statement of comprehensive income

1 Euro	18.0512 MXN	31.12.2011
1 Euro	17.1845 MXN	31.12.12 used for translation of the statement of financial position
1 Euro	16.9271 MXN	2012 average used for translation of the statement of comprehensive income

1 Euro	1.2723 AUD	31.12.2011
1 Euro	1.2712 AUD	31.12.12 used for translation of the statement of financial position
1 Euro	1.2423 AUD	2012 average used for translation of the statement of comprehensive income

1 Euro	41.7650 RUB	31.12.2011
1 Euro	40.3295 RUB	31.12.12 used for translation of the statement of financial position
1 Euro	40.0420 RUB	2012 average used for translation of the statement of comprehensive income

The difference between the profit for the year resulting from translation using the average rates for the year and that which results from the translation using the rates at end December, is recognised in the consolidation reserves (portion attributable to the owners of the Parent) and in Equity attributable to non-controlling interests. These differences, in the event of disposal, will be recognised 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.

Ordinary maintenance costs are charged to the income statement, 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.

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.

Should events occur which indicate possible impairment losses on property, plant and equipment, or when there are marked reductions in the market value of these assets, significant technological changes or significant obsolescence, the residual value is subject to verification on the basis of the estimated present value of forecast future cash flows and, if necessary, is adjusted. This impairment loss is subsequently reversed when the conditions which caused it to be recorded no longer exist.

Land, whether it is unoccupied or is connected to ancillary and industrial buildings, is not deprecaited since it is considered to have an indefinite useful life.

Depreciation is charged based on the following useful lives:

Buildings	between 25 and 50 years
Plant and equipment	between 10 and 40 years
Other equipment	between 5 and 15 years

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 recognised in profit or loss when the expense is incurred.

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.

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, recognised in profit or loss, and repayment of principal, recognised as a reduction of financial liabilities. Assets held under finance leases are recognised 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 the company will obtain title to the asset at the end of the lease.

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 fair value less costs to sell and value in use, and comparison of the appropriate value with the carrying amount. The recoverable amount is the greater 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 recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated analogously. For information on the impairment test refer to the indications in the following paragraph.

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 recognised are not subsequently reversed.

(b) Other intangible assets with finite useful lives

An intangible asset 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 recognised 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. In addition, they are carried net of any impairment losses, in line with the accounting treatment for "property, plant and equipment". The residual value of intangible assets at the end of their useful life is assumed to be zero.

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 recognised at fair value with any subsequent changes recognised in profit or loss and are, consequently, not systematically depreciated.

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 pursuant to IAS 27 par. 38

Other investments are recognised at fair value through profit or loss. When fair value cannot be reliably determined, the investments are measured at cost adjusted for accumulated impairment losses.

Non-derivative financial assets with fixed or determinable payments or payments which have 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 fair value.

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 cost and recognised 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 equity-accounted investees, pursuant to IAS 28 para. 31 *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 recognised in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognised through equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

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 recognised 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 recognised in profit or loss.

The fair value of non-derivative financial instruments is determined by discounting future cash flows at the market interest rate for 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.

2.8 Factoring of receivables

The Group sells a significant portion of its trade receivables to factors. Factoring can be either with or without recourse. Non-recourse assignments 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 financial statements. Factoring of receivables with recourse is 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 realizable 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 of no par value, fully subscribed and paid up at year end, reduced by any share capital to be received. As required by IAS 32, repurchased treasury shares are recognised as a reduction of subscribed share capital, whilst any premium or discount to par value is recognised as an adjustment to other components of equity. 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 operations have been used directly against reserves.

The Intek Group 2012-2017 Convertible Loan, arising from the merger of Intek, 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 Loan);

- the number of shares which the issuer of the Convertible Loan must assign to the holder of the Convertible Bonds on their expiry is preset and is not subject to change.

2.12 Receivables and payables

Receivables and payables are recognised at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognised at their par value.

2.13 Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognised in profit or loss unless relating to transactions recognised directly in equity in which case the relevant tax is also recognised directly in equity.

The current tax burden represents the estimated tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at year end. Deferred taxes are recognised on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised 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 tax 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 Group 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 recognised 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 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 plans" 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 pro-quota in profit or loss using the corridor method, which entails recognition of the net amount of actuarial gains and losses not recorded at the end of the previous year exceeding the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets.

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 provision or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the government pension & welfare agency (in the case of companies with more than 50 employees). Basing itself on the generally accepted interpretation of the 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 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 recognised 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 year end. Where the difference between the present and future value of the provision is significant, the provision is discounted to the amount required to settle the obligation.

Provisions for restructuring costs are recognised only if the Group has a formal detailed plan showing at a minimum: the operations and main operating units concerned, the costs to be incurred, the approximate number of employees involved and if interested third parties 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 recognised 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 recognised 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. Service revenue, such as work performed for customers, 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.

2.17 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 recognised 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.

2.18 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, 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 shareholders’ right to receive payment has been established.

Financial expense includes 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”.

2.19 Segment reporting

At the operational level, the Intek Group is organised in business units according to the products and services it offers and has three operating segments for which information is provided, as follows:

- **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 business units 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.

2.20 Earnings/(loss) per share

Basic and diluted earnings/(loss) per ordinary share are calculated in the following manner:

1) the numerator is equal to profit attributable to owners of 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;

2) the denominator of "basic earnings per share" is the weighted average of the outstanding ordinary shares during the year less ordinary treasury shares;

3) 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:

- conversion of all outstanding warrants;
- 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 2012 of the basic earnings per share was done by taking the Group net loss of Euro 78.7 million (a loss of Euro 15.5 million in December 2011), 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 411,975,372, 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.

2.21 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 recognised 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 recognised 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.

2.22 Accounting standards not yet applied

At 31 December 2012, 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 1 - Presentation of financial statements (Improvement): in June 2012, the process for publication in the Official Journal of the European Union was completed. The document introduces a clarification with regard to the minimum information that must be reported as well as how to present other comprehensive income. The application of the new standard is mandatory from 1 January 2013.

IAS 19 Employee benefits: in the month of June 2012, the process for publication in the Official Journal of the European Union of the new amendment issued on 16 June 2011 - which eliminates the option of deferring the recognition of actuarial gains and losses with the 'corridor method' - was completed. The new IAS 19 envisages that all the actuarial gains and losses accrued at year end are immediately recorded in the "Statement of Comprehensive Income". The application of this standard as from 1 January 2013 will entail the recording of the actuarial losses which were not recorded at 31 December 2012 with a counter-entry under equity. The effects of this application are indicated in section 4.15

IFRS 10 – Consolidated Financial statements: on 12 May 2011 the IASB issued IFRS 10 –

Consolidated financial statements, IFRS 11 – Joint arrangements – and IFRS 12 – Disclosure of interests in other entities. Following these new IFRS, the IASB also issued the amended IAS 27. 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 2013. Early adoption is allowed. The new standard defines the existence of control, for the purposes of consolidation, in various ways and not only as the result of the power to direct financial and operational policies. Therefore, an investor controls an entity when he/she is exposed or is entitled to changes in results arising from his/her involvement with the company and has the possibility of influencing these results through exercise of his/her power over the company.

IFRS 11 – Joint Arrangements: in May 2011 IFRS 11 was published which will replace IAS 31 – Interests in Joint Ventures and SIC – 13 – Jointly Controlled Entities – Non-monetary contributions by venturers. 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 2013. Early adoption is allowed.

The previous standard envisaged the identification of a joint controller entity and the possibility of choosing the consolidation method from between the equity method and proportionate consolidation. The new standard distinguishes joint ventures (if the entity has rights and obligations connected to the overall net assets covered by the agreement) from joint operations (if the entity has rights and/or obligations related to specific assets and liabilities) as opposed to IAS 31 which required identification of joint venture entities. Participants in a joint venture have contractual rights and obligations deriving from the agreement and which are based on substance over form. The participants in a joint venture must measure the investment using the equity method. Proportionate consolidation is no longer allowed. The assets and liabilities of a joint operation will be recognised both in the consolidated financial statements as well as in the separate financial statements in accordance with the applicable International Accounting Standards.

IFRS 12 – Disclosure of Interests in Other Entities: this standard mainly aims to define the criteria for determining control and to provide a uniform disclosure that is able to highlight the risks associated with the relations, regardless of the nature of the relation itself. IFRS 12 focuses on disclosure regarding interests in other entities such as joint ventures, investments in subsidiaries, and investments in associates, joint ventures or interests in companies that are not included in the scope of consolidation. 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 2013. Early adoption is allowed.

IAS 27 – Separate Financial Statements: On 12 May 2011 the IASB issued IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements – and IFRS 12 – Disclosure of interests in other entities. Following these new IFRS, the IASB also issued the amended IAS 27. 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 2013. Early adoption is allowed.

The accounting treatment methods, i.e. at cost or in compliance with IFRS 9 “Financial instruments”, are established for investments in subsidiaries, joint ventures and associates in the separate financial statements. In addition, it defines the recording of dividends, reorganisations within a group and disclosure requirements.

IAS 28 – Investments in associates and joint ventures: on 12 May 2011 the IASB issued IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements – and IFRS 12 – Disclosure of interests in other entities. Following these new IFRS, the IASB also issued amended IAS 28. 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 2013. Early adoption is allowed.

The accounting treatment method and the requirements for application of the equity method for the recording of investments in associates and joint ventures are established. In addition, it prescribes how investments in associates and joint ventures must be tested for impairment.

IAS 32 - Financial instruments (Improvement): On 16 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 adoption is allowed. The amendments must be applied retroactively.

IFRS 7 - Financial Instruments: Disclosures: the amendment requires further disclosure on the effects or potential effects of agreements to offset financial assets and liabilities on the statement of financial position and in cash flows, when legally possible. In December 2012 it was published in the Official Journal of the European Union. The obligatory application of the new standard is planned as from 1 January 2013. The information required by these amendments must be supplied retroactively.

IFRS 13 – Fair-value Measurement: on 12 May 2011, the IASB published IFRS 13 which provides guidance for measurement at fair value. It mainly introduces the definition of fair value, a guide for the determination thereof and a series of minimum disclosures that are common to all items measured at fair value. Essentially the new standard will define how to determine the fair value and will apply to all the IFRS which require or allow the measurement of fair value. The board has defined fair value as the price that should be paid to extinguish a liability in an arm's length transaction on the date on which the measurement is made. Essentially the new definition brings the concept of fair value close to that of an exit price. In addition, the standard established criteria to use to determine the fair value of assets and liabilities that cannot be directly observed on the market, including: the market approach, cost approach or according to discounted future cash flows.

The disclosure must make clear to the reader the measurement techniques, the effect on profit or loss and on other components of comprehensive income deriving from the measurements made using non-observable data to a significant extent. The application of the new standard is mandatory from 1 January 2013. Early adoption is allowed.

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 formal procedures to define the objectives and processes to cover the following risks: credit, liquidity, currency, interest rate and, above all, fluctuations in commodity prices.

Types of risk:

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: 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 short-term financial payables and capital expenditure through cash 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 inventories of raw materials;

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 into fixed interest rates;

e) commodity price risk (particularly copper): this is the most significant and strategic of the risks to which the Group is exposed. 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 reality, both transactions are physical in nature which, however, can also be settled through: cash payment of differentials, issue of another financial instrument or swapping 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 change 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 any case, the Group does not trade in financial derivatives for speculative purposes, even though it does not account for the financial instruments in accordance with hedge accounting rules, as these transactions do not meet the conditions set out in IAS 39.

4. Notes to the consolidated financial statements

As already indicated, as a consequence of the merger with Intek, starting in 2012 the companies which were previously Intek subsidiaries joined the scope of consolidation. In consideration of the effective date of the merger (30 November) and the limited impact on these companies' revenue flows, the contribution of these companies to the consolidated financial statements is mainly in terms of assets.

In the table below which contained the statement of financial position items, the carrying amounts relating to the Intek Group are shown as "Changes in scope of consolidation".

4.1 Property, plant and equipment:

(Thousands of Euros)	***31/12/2012***	***31/12/2011***	***Change***
Land	*54,743*	*55,644*	*(901)*
Buildings	*88,809*	*92,157*	*(3,348)*
Plant and equipment	*382,650*	*374,510*	*8,140*
Moveable property	*27,681*	*29,652*	*(1,971)*
Payments on account and ongoing construction	*8,868*	*28,151*	*(19,283)*
Total	***562,751***	***580,114***	***(17,363)***

Changes in the year may be summarised as follows:

(amounts in thousands of Euro)	Lands	Buildings	Plant and equipment	Other assets	Account	Total
Total at 31 December 2011	55,644	92,157	374,510	29,652	28,151	580,114
Purchases in the year	**541**	**2,388**	**8,151**	**2,619**	**21,548**	**35,247**
Reclassifications	**(1,416)**	**1,093**	**35,105**	**1,640**	**(40,432)**	**(4,010)**
Change in scope of consolidation (cost)	**-**	**1,166**	**37**	**992**	**-**	**2,195**
Change in scope of consolidation (provision)	**-**	**(1,164)**	**(29)**	**(721)**	**-**	**(1,914)**
Increases in cost due to translation differences	**62**	**40**	**1,067**	**33**	**29**	**1,231**
Amortisation, depreciation and Impairment losses	**(34)**	**(6,923)**	**(34,919)**	**(5,955)**	**-**	**(47,831)**
Increases in amortisation and depreciation due to translation differences	**2**	**(2)**	**(903)**	**(34)**	**-**	**(937)**
Disposals (cost)	**(56)**	**(69)**	**(7,064)**	**(1,395)**	**(428)**	**(9,012)**
Disposals (accumulated depreciation)	**-**	**123**	**6,695**	**850**	**-**	**7,668**
Total at 31 December 2012	54,743	88,809	382,650	27,681	8,868	562,751
Consisting of:						
Gross amount	**55,005**	**211,376**	**1,085,774**	**101,053**	**8,868**	**1,462,076**
Accumulated amortisation/depreciation	**(262)**	**(122,567)**	**(703,124)**	**(73,372)**	**-**	**(899,325)**
of which finance leases	***1,300***	***3,303***	***4,539***			

Changes in the previous year were as follows:

(amounts in thousands of Euro)	Lands	Buildings	Plant and equipment	Other assets	Account	Total
Total at 31 December 2010	55,743	95,506	380,939	29,986	21,699	583,873
Purchases in the year	**350**	**1,336**	**8,513**	**2,991**	**36,564**	**49,754**
Reclassifications	**-**	**3,095**	**25,423**	**1,821**	**(30,260)**	**79**
Change in scope of consolidation (cost)	**8**	**212**	**329**	**4,256**	**-**	**4,805**
Change in scope of consolidation (provisions)	**-**	**(187)**	**(176)**	**(3,818)**	**-**	**(4,181)**
Increases in cost due to translation differences	**223**	**537**	**1,454**	**127**	**148**	**2,489**
Amortisation, depreciation and impairment losses	**(31)**	**(6,782)**	**(38,953)**	**(5,249)**	**-**	**(51,015)**
Increases in amortisation/depreciation due to translation differences	**(12)**	**(99)**	**(1,198)**	**(86)**	**-**	**(1,395)**
Disposals (cost)	**(637)**	**(7,018)**	**(20,648)**	**(4.049)**	**-**	**(32.352)**
Disposals (accumulated depreciation)	**-**	**5,557**	**18,827**	**3,673**	**-**	**28,057**
Total at 31 December 2011	55,644	92,157	374,510	29,652	28,151	580,114
Consisting of:						
Gross amount	**55,872**	**209,604**	**1,049,699**	**95,430**	**28,151**	**1,438,756**
Accumulated amortisation/depreciation	**(228)**	**(117,447)**	**(675,189)**	**(65,778)**	**-**	**(858,642)**

Following is the distribution by geographic segment of property, plant and equipment:

(Thousands of Euros)	**31/12/12**		**31/12/11**	
	Euro/Ml	**%**	**Euro/Ml**	**%**
Germany	261.3	46.4%	270.1	46.6%
Italy	213.6	38.0%	220.5	38.0%
France	52.6	9.4%	54.8	9.5%
United Kingdom	12.1	2.2%	13.0	2.2%
Spain	9.6	1.7%	9.6	1.7%
China	10.5	1.9%	10.1	1.7%
Other	3.0	0.5%	2.0	0.3%
Total	**562.7**	**100.0%**	**580.1**	**100.0%**

A portion of the aforementioned assets worth Euro 198.8 million (Euro 201.1 million at the end of last year) is used as guarantees of credit lines granted to the Group.

The most significant investments during the year are detailed in the Directors' Report.

Property, plant and equipment under finance leases include:

- Euro 4.6 million for the "Firenze Novoli" real estate property, which houses the Group's headquarters. The lease for this building contains a purchase option exercisable on 30 September 2016;
- Euro 4.5 million for a new furnace installed in the foundry department within the plant of Fornaci di Barga.

Future minimum payments under finance leases at year end and the relevant present value are shown below:

Year 2012

(Thousands of Euros)	***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

Year 2011

(Thousands of Euros)	***within 1 year***	***from 1 to 5 years***	***over 5 years***	***Total***
Minimum lease payments	398	3,498	-	3,896
of which interest	8	664	-	672
Present value	390	2,834	-	3,224

4.2 Investment property

(Thousands of Euros)	***31/12/2012***	***31/12/2011***	**Change**
Investment property	**80,104**	**30,812**	**49,292**

"Investment property" consists of investments in land and buildings by Immobiliare Agricola Limestre S.r.l. and KME Italy S.p.A. as well as properties from Intek for a total of Euro 45,805 thousand, including:

- Industrial complex in Borgo Panigale (BO) 21,000
- Industrial complex in Varedo (MB) 14,950
- Premises used as offices in Paris 3,840
- Industrial property in Ivrea 4,130

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 valuations 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 company.

The change in the item over the last two years was as follows:

(Thousands of Euros)	
Total at 31 December 2011	**30,812**
Increases in the year	18
Reclassifications	4,133
Change in scope of consolidation	45,805
Fair value adjustments	(664)
Total at 31 December 2012	**80,104**

(Thousands of Euros)	
Total at 31 December 2010	**28,603**
Increases in the year	2,209
Total at 31 December 2011	**30,812**

The following amounts were recognised in profit or loss in 2012:

- lease income of Euro 530 thousand;
- operating costs directly relating to the investment properties of Euro 644 thousand.

4.3 Goodwill and goodwill arising on consolidation

The amount of Euro 125,801 thousand is entirely due to consolidation differences in the copper and copper-alloy semi-finished products sector, except for Euro 7,437 thousand relating to work on special situations arising from the merger with Intek and already included in the latter's consolidated financial statements.

(Thousands of Euros)	***31/12/2012***	***31/12/2011***	**Change**
Goodwill	**125,801**	**118,367**	**7,434**

The change in the item over the last two years was as follows:

(Thousands of Euros)	
Total at 31 December 2011	**118,367**
Change in scope of consolidation	7,437
Amortisation and impairment losses	(3)
Total at 31 December 2012	**125,801**

(Thousands of Euros)	
Total at 31 December 2010	**114,582**
Change in scope of consolidation	3,785
Total at 31 December 2011	**118,367**

The only change in the scope of consolidation in 2012 related to Intek. During 2011 consolidation differences rose by Euro 3.8 million following the initial consolidation of Valika SAS (Euro 2.4 million) and Metalbuyer S.p.A. (Euro 1.4 million).

For the purposes of carrying out the impairment test at 31 December 2012 with the support of an external consultant for the copper and copper alloy semi-finished products sector which coincides with the carrying value 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 2013 -2017 ("the Plan") was used as prepared at Group level and approved by the Intek Group Board of Directors on 27 March 2013 and by the KME AG Board on 14 March 2013.

The main assumptions underlying the industrial plan for 2013 -2017 envisage:

- gradual recovery in sales volumes from the 2012 level up to levels which in 2017 envisage a broad recovery of the quantities sold in 2011;
- growth in added value (CAGR around 4%);
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors and the increased focus on raising productivity;
- inflation of 3%;
- stable copper price (around 6,000 Euro/ton);
- €32 million investment per annum in 2013-2014 and €45 million in 2015-2017.

The impairment test at year end was determined through the "value in use" 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 8.8%. 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 which was drawn up and approved by the KME AG Board of Directors on 14 March 2013 and by the Intek Group Board on 27 March 2013.

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 depreciation is an investment and using a long-term growth rate "g" of zero. The WACC rate was determined on the basis of the following parameters:

- risk free-rate: 10-year Government bonds;
- market risk premium: 5.0%;
- cost of debt: 10-year European swap rate at 31 December 2012 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 the previous year the cash flows were discounted using a WACC discount rate of 9.3%, net of taxes. This rate assumed an average risk free-rate of 3.68%, a market risk premium of 5.20% and an average interest rate on the debt of 5.1% to which had been added an additional premium of 2%.

The aforementioned impairment was also subjected to sensitivity testing using a WACC rate ranging from 6.8% to 10.8% and a "g" growth rate ranging from zero to 2% and an alternative scenario to calculate the terminal value assuming that long-term EBITDA is equal to the average EBITDA from the Plan over the last 5 years.

The sensitivity analysis did not reveal the need for any write-downs on the basis of a negative "g" growth rate of up to 4% or an increase in WACC of 2.5%.

The impairment test undertaken, on the basis of the analyses and findings set out above, resulted in an enterprise value of Euro 745.5 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 loss, also on the basis of the sensitivity analysis described above.

4.4 Other intangible assets

(thousands of Euro)	***31/12/2012***	***31/12/2011***	**Change**
Other	3,035	2,617	418
Payments on account and assets under development	510	365	145
Total	**3,545**	**2,982**	**563**

The intangible assets shown above primarily relate to software and have finite useful lives.

Research expenditure is recognised directly in profit or loss. Research expenditure for 2012 amounted to Euro 2.0 million (Euro 1.5 million for 2011).

The changes in 2012 and 2011 were as follows:

(Thousands of Euros)	
Total at 31 December 2011	**2,982**
Increases	1,075
Change in scope of consolidation (cost)	930
Change in scope of consolidation (provisions)	(424)
Amortisation and impairment losses	(1,020)
Decreases (cost)	(221)
Decreases (provision for amortisation)	223
Total at 31 December 2012	**3,545**
Made up as follows:	
Gross amount	14,694
Accumulated amortisation	11,149

(Thousands of Euros)	
Total at 31 December 2010	**3,490**
Increases	1,257
Reclassifications	(177)
Change in scope of consolidation (cost)	(568)
Change in scope of consolidation (provisions)	624
Amortisation and impairment losses	(1,634)
Decreases (cost)	(1,412)
Decreases (provision for amortisation)	1,402
Total at 31 December 2011	**2,982**
Made up as follows:	
Gross amount	12,703
Accumulated amortisation	9,721

It is noted that at 31 December 2012 the item includes assets under development for Euro 510 thousand.

4.5 Investments in subsidiaries, associates and other companies

The breakdown of the item was as follows:

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	***Change***	***31/12/2012***
Investments in subsidiaries and associates	15,152	500	(1,842)	13,810
Investments in other companies	258	12	-	270
Equity-accounted investees	46,625	-	(11,404)	35,221
Total investment	**62,035**	**512**	**(13,246)**	**49,301**

The opening value of **"Equity-accounted investees"** was changed as a consequence of the adjustments made to its financial statements by the investee ErgyCapital, as described in section 2.1.

The related change was as follows:

(Thousands of Euros)	**31/12/2011**	**Increases**	**Translation differences**	**Decrease**	**Other movements**	**Valuation effect**	**31/12/2012**
Investments in subsidiaries and associates	15,152	4,889	11	-	259	(6,501)	13,810
Investments in other companies	258	-	-	-	12	-	270
Equity-accounted investees	46,625	-	-	-	-	(11,404)	35,221
Total investment	**62,035**	**4,889**	**11**	**-**	**271**	**(17,905)**	**49,301**

The valuation effect includes for **"Equity-accounted investees"** both the effect recorded in profit or loss (Euro 7,319 thousand) and the effect on equity movements (Euro 4,085 thousand).

The non-consolidated Group's investments are listed below:

Company Name	Reg. office	Business	% control Intek Group direct	indirect	Dec.12	Dec.11
					Thousands of Euro	
Subsidiares and associates measured at cost						
AMT - Advanced Mould Technology India Private Ltd.	India	Trading		99.60%	1,500	1,500
Breda Energia SpA in adm. compulsory liquidation	Italy	non operating		99.99%	119	-
Bredafin Innovazione SpA in adm. compulsory liquidation	Italy	non operating		99.99%	141	-
Culti S.r.l.	Italy	Trading		100.00%	5,361	3,800
Europa Metalli Trèfimétaux UK Ltd.	UK	non operating		100.0 %	490	479
FEB Investimenti Srl	Italy	non operating		100.00%	10	-
Il Post S.r.l.	Italy	Publishing		31.54%	400	400
KME - Hungaria Szinesfem Kft.	Hungary	Trading		100.00%	8	8
KME (Suisse) S.A.	Switzerland	Trading		100.00%	1,000	1,000
KME America Inc.	US	Trading		100.00%	7	7
KME Asia Pte Ltd.	Singapore	Trading		100.00%	99	99
KME Chile Lda	Chile	Trading		100.00%	18	18
KME Czech Republic	Czech Republic	Trading		100.00%	3	3
KME Engineering S.r.l.	Italy	non operating		100.00%	10	-
KME India Private Ltd.	India	Trading		100.00%	92	91
KME Kalip Servis Sanayi	Turkey	Trading		85.00%	358	25
KME metal GmbH	Germany	non operating		100.00%	-	511
KME Metals (Shanghai) Trading Ltd.	China	Trading		100.00%	81	81
KME Polska Sp. Zo.o.	Poland	Trading		100.00%	64	64
KME Solar Italy S.r.l.	Italy	Energy sector		96.00%	-	305
Metal Center Danmark A/S	Denmark	Trading		30.00%	134	134
N.V. KME Benelux SA	Belgium	Trading		100.00%	883	883
P.H.M. Pehamet Sp.Zo.o	Poland	Trading		59.79%	1,218	802
Progetto Ryan 2 S.r.l.	Italy	In liquidation	88.00%	0.00%	500	-
Societe Haillane de Partecipations	France	non operating		99.99%	40	40
Warrant ErgyCapital S.p.A.	Italy	Energy sector		n.a.	1,170	4,833
Zahner KME GmbH	Germany	Trading		50.00%	104	69
Total					**13,810**	**15,152**
Other Investments measured at cost						
Editoriale Fiorentina S.r.l.	Italy	Publishing		7.13%	142	142
Other investments of KME France SAS	France	Various	n.a.	n.a.	116	116
Other investments of former Intek S.p.A	Italy	Various	n.a.	n.a.	12	-
Total					**270**	**258**
Equity-accounted investees						
ErgyCapital S.p.A.	Italy	Energy Sector		46.37%	12,578	14,399
Cobra A.T. S.p.A.	Italy	Services		42.68%	22,643	32,226
Total					**35,221**	**46,625**

The change in **"Investments in subsidiaries and associates"**, besides the merger with Intek (Breda Energia SpA in administrative compulsory liquidation, Bredafin Innovazione SpA in administrative compulsory liquidation, FEB Investimenti Srl and Progetto Ryan 2 Srl in liquidation), was due to:

- an increase to 96% - for a total of Euro 533 thousand - of the investment in KME Solar Italy S.r.l. of KME Germany Gmbh. & Co. K.G. and subsequent Euro 838 thousand impairment loss;
- an increase to 59.79% - for a total of Euro 416 thousand - of the investment in PHM

Pehamet Sp.Zo.o. of KME Germany Gmbh. & Co. K.G.;

- an increase of Euro 35 thousand relative to KME Zahner GmbH.;
- an increase of Euro 334 thousand relative to Kalip Servus Sanasyi;
- an increase of Euro 10 thousand following the establishment of the company KME Engineering Srl by KME Germany Gmbh & Co. K.G.;
- a decrease of Euro 511 thousand relating to the merger of KME Metal GmbH into KME Germany GmbH & Co. K.G.;
- translation differences relating to the investment in Europa Metalli Trèfimétaux UK Ltd. (a Euro 11 thousand increase);

"Other KME France S.A.S. 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.

The fall in **"Equity-accounted investees"** of Euro 11,404 thousand was due to the application of the equity method to ErgyCapital S.p.A. (Euro 1.8 million) and Cobra AT S.p.A. (Euro 9.6 million).

4.6 Other non-current assets

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Guarantee deposits	1,056	18	(320)	754
Receivables for disposal of investments	-	1,000	-	1,000
Other receivables	7,504	-	(940)	6,564
Total other non-current assets	**8,560**	**1,018**	**(1,260)**	**8,318**

"Receivables for disposal of investments" relate to the disposal of the investment in Ducati Energia which occurred in 2011 and which bears interest as from May 2013. The contractual expiry of these receivables is planned for October 2014.

"Other receivables" include positions connected to the personnel of foreign companies.

4.7 Non-current financial assets

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Bank deposits pledged as collateral	4,589	672	(851)	4,410
Closed end investment funds	-	17,075	-	17,075
Receivables due from associates	-	175	-	175
Other non-current financial assets	-	3,051	-	3,051
Total other non-current assets	**4,589**	**20,973**	**(851)**	**24,711**

Bank deposits pledged as collateral include Euro 3,724 thousand relating to a deposit at Unicredit Banca d'Impresa S.p.A. that has been pledged to Unicredit Mediocredito Centrale S.p.A. (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 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 business.

The units in **"Investment funds"** relate almost entirely to the holding of Intek Group (19.1%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR S.p.A. In the first few months of 2013 there was a payout of around Euro 7.0 million from this fund.

4.8 Inventories

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Raw materials, consumables and supplies	535,170	-	(31,421)	503,749
Work in progress and semi-finished products	33,498	-	(1,891)	31,607
Finished goods	38,815	-	(3,178)	35,637
Total inventories	**607,483**	**-**	**(36,490)**	**570,993**

At the end of 2012, the value 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 value as determined according to note 2.9, by Euro 21.3 million (Euro 7.4 million in the previous year). An allowance for inventory write-down of this same amount was recognised.

Property stock	**31/12/2011**	**31/12/2012**	**Var. ton.**	**Var. %**
Total tonnes	**94,087**	**85,524**	**(8,563)**	**-9.10%**

Of the above amount 81.6 thousand tonnes (87.3 thousand tonnes for 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 Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Due from customers	136,786	1,467	(10,753)	127,500
Allowance for impairment	(13,522)	(834)	(458)	(14,814)
Net trade receivables due from customers	**123,264**	**633**	**(11,211)**	112,686
Due from subsidiaries	5,427	79	(515)	4,991
Due from associates	677	-	420	1,097
Due from parents	121	-	(34)	87
Receivables for factoring/leases	-	10,995	(10)	10,985
Total trade receivables	**129,489**	**11,707**	**(11,350)**	**129,846**

"Due from customers" include Euro 41.8 million (Euro 54.5 million in the previous year) that have been factored with recourse.

An amount equal to Euro 1.1 million (Euro 1.6 million in the previous year) of trade receivables is pledged as collateral 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 Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Tax assets	5,844	13,844	(588)	19,100
Advance payments to suppliers	6,580	26	(2,410)	4,196
Receivables due from special situations	-	6,962	(80)	6,882
Prepayments and accrued income	1,927	190	541	2,658
Other receivables	17,629	1,657	(2,094)	17,192
Receivables due from associates	-	-	-	-
Total other current receivables and assets	**31,980**	**22,679**	**(4,631)**	**50,028**

"Other receivables" consist mainly of:

- Receivables due from insurance companies of Euro 0.4 million;
- Receivables due from personnel and social security agencies of Euro 2.9 million;

- Receivables due from local authorities, essentially referring to the German companies, for refunds relating to energy costs of Euro 10.5 million.

"Receivables due from special situations", which all come from Intek, mainly include receivables arising from bankruptcy proceedingsfor 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 procedure 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. The Group has become the owner not only of the properties which guaranteed the receivable, but also of other property units.

"Tax assets" include, among other things, receivables for direct taxes of Euro 4,394 thousand (of which Euro 2,500 thousand has been requested for refund) and receivables for VAT for Euro 2,287 thousand of the Parent. The residual part mainly relates to FEB – Ernesto Breda S.p.A. for receivables accrued during the company's administrative compulsory liquidation.

The carrying amount of other receivables is believed to approximate their fair value.

4.11 Current financial assets

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Financial assets held for trading	6,174	454	(2,546)	4,082
LME and metal buyer/seller contracts	24,801	-	(1,489)	23,312
Interest rate swaps and currency forward contracts	12,004	-	(10,983)	1,021
Receivables due from factoring companies	68,557	-	(2,582)	65,975
Other financial assets	133,184	87	(128,918)	4,353
Loans to associates	7,182	11,964	(5,013)	14,133
Total current financial assets	**251,902**	**12,505**	**(151,531)**	**112,876**

"Financial assets held for trading" consist of:

- 4,737,543 ErgyCapital S.p.A. ordinary shares, which are carried at their official price at year end (Euro 0.133 per share);
- 5,621,550 ErgyCapital S.p.A. warrants, at year end (Euro 0.023 per warrant).
- 8,465,810 Cobra A.T. S.p.A. ordinary shares, which are carried at their official price at year end (Euro 0.330 per share);

"LME and metal sales/purchase contracts" are recognised at the fair value of contracts outstanding at year end.

"Receivables due from factoring companies" of Euro 48.1 million are carried at the amounts of receivables factored without recourse but not yet collected at year end and the revolving amount of the consideration which will be collected upon the due dates of the relative invoices factored of Euro 17.9 million.

The decrease in "**other current financial assets**" largely relates to the payment (of Euro 126.8 million) of the EU fine which became definitive in February 2012.

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 company has no investments in sovereign debt securities.

4.12 Cash and cash equivalents

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Bank and post office accounts	66,369	19,567	(22,809)	63,127
Cash on hands	114	9	2,563	2,686
Cash and cash equivalents	**66,483**	**19,576**	**(20,246)**	**65,813**

"Cash and cash equivalents" consist of bank and post office accounts and cash on hand.

4.13 Current assets held for sale

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Properties held for sale	-	4,590	-	4,590
Total non-current assets held for sale	**-**	**4,590**	**-**	**4,590**

These are properties relating to the subsidiaries of Intek SpA, which are expected to be sold by the end of 2013. For one of them (Conegliano Veneto), the sale has already been completed and the payment was received in the first few days of January 2013.

4.14 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).

During 2011 the Parent implemented the new "KME Group S.p.A. 2010–2015 Stock Option Plan". On 7 October 2010, the Parent's 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 at the Shareholders' Meeting is 31,000,000). The decision was assumed, 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.

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of KME Group S.p.A. 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 was set at 31 December 2015; refer to section 5.4 for the details.

In addition, during 2012 3,500,000 options were assigned with a subscription price of Euro 0.326.

4.15 Employee benefits

(Thousands of Euros)	***31/12/2011***	***Increases***	***Decreases***	***Change in scope of consolidation***	***31/12/2012***
Post-employment benefits	15,525	678	(1,674)	347	14,876
Defined benefit plans	137,914	13,085	(9,304)	-	141,695
Total	**153,439**	**13,763**	**(10,978)**	**347**	**156,571**

"Defined benefit plans" are recognised net of any plan assets. Euro 125.4 million of defined benefit plans relate to the German subsidiaries and Euro 16.2 million relate to the subsidiary KME Yorkshire Ltd.

General Criteria	**31/12/2011**	**31/12/2012**
Discount rate	4.3%-5.0%	2.4%-4.5%
Rate of return on plan assets	6.0%	6.3%
Rate of increase in future remuneration	2.0%-2.6%	1
Future increase in services	2.0-3.0%	2.0-3.0%
Average remaining working life	14 years	13 years

Solely as regards the actuarial measurement of Italian post-employment benefits (TFR), at 31 December 2012, given continuous and marked oscillations on the financial market, it was considered opportune to analyse the means of identifying and defining the basket which is used to determine the discount rate to be used for assessments under IAS 19. In this context it should be noted that currently the expected volatility continues and therefore the Directors considered that the use of the "Iboxx Eurozone Corporate A" index (compared to the "Iboxx Eurozone Corporate AA" index used until last year) is a very good representation of the rating levels indicated by the accounting standards and of the definition of "high quality" required by IAS 19.

It should be noted that the effect on the liability including the corridor method of Euro 0.5 million is not significant, while keeping the same method it is basically nil. The rate difference is 0.35%, since a rate of 2.40% was used instead of 2.05%.

Liability carrying amount (Thousands of Euros)	**2011**	**2012**
Present value of partially or fully funded obligations	75,800	92,364
Fair value of defined benefits plan assets	(56,662)	(63,138)
Deficit	19,138	29,226
Present value of unfunded obligations	164,636	206,383
Actuarial losses not yet recognised	(30,335)	(79,038)
Past service cost not yet recognised	-	-
Amount not recognised as assets pursuant to IAS 19, para. (b)	-	-
Final balance	**153,439**	**156,571**

Income statement changes (thousands of Euro)	**2011**	**2012**
Current service cost	3,159	3,358
Interest expense	11,268	11,128
Expected return on plan assets	(3,361)	(3,406)
Recognised actuarial losses	660	975
Past service cost	-	1,566
Effect of any curtailment or settlement	-	-
Total cost recognised in profit or loss	**11,726**	**13,621**

The amounts recognised in profit or loss are reported under "Personnel expense".

Other information:

Present value of obligation (thousands of Euro)	**2011**	**2012**
Opening balance of obligation	**223,409**	**240,559**
Change in scope of consolidation	-	347
Current service cost	3,151	3,411
Interest on obligation	11,263	11,128
Plan participants' contribution	478	462
Actuarial losses	12,363	53,414
Curtailments or settlements	-	1,594
Translation differences on foreign plans	2,309	1,686
Benefits provided and paid	(12,560)	(13,659)
Effect of any curtailment or settlement	146	98
Past service cost	-	-
Closing balance of obligation	**240,559**	**299,040**

Fair value of plan assets (thousands of Euro)	**2011**	**2012**
Opening balance	53,981	56,662
Expected return on plan assets	3,361	3,406
Actuarial gains (losses)	(1,775)	3,813
Translation differences on non-Euro plan assets	1,643	1,276
Employer contributions	1,690	1,445
Plan participants' contribution	478	462
Benefits provided and paid	(2,716)	(3,926)
Closing balance	**56,662**	**63,138**

At the end of 2012, the plan assets consisted of equity instruments (51.6%), fixed rate securities (41.6%) and property (6.8%).

Present value of plans and adjustments based on past experience (thousands of Euro)	**2011**	**2012**
Present value of defined benefit obligation	240,559	299,040
Plan assets	(56,662)	(63,138)
(Surplus) deficit	**183,897**	**235,902**
Adjustments to plan liabilities based on past experience	919	3,185
Adjustments to plan assets based on past experience	95	(87)

It should be recalled that in June 2011 the IASB approved the new IAS 19 and in June 2012 it was published in the Official Journal of the European Union. The changes introduced by the new standard must be applied at the latest by the financial statements for the year starting on 1 January 2013. The new IAS 19 envisages that all the actuarial gains and losses accrued at year end be immediately taken to the “Statement of comprehensive income”, and so the possibility of deferring them using the corridor method has been eliminated.

The application of this standard as from 1 January 2013 will lead to the recognition of the actuarial losses which were not recorded at year end of Euro 79 million, with a counter-entry in equity.

While this recognition will cause a significant reduction in equity, it will not make a difference in terms of determining the covenants since these indices are calculated on the basis of the IFRS in force at the time of taking out the loans and do not take account of any changes in accounting standards that happen subsequently.

4.16 Non-current financial loans and borrowings

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	***Changes for the period***	***31/12/2012***
Bank loans and borrowings	263,576	29,258	38,461	331,295
Due to lease companies	2,966	4	3,439	6,409
Due to others	127	4,217	(64)	4,280
SFP Intek Group 2012/2017	-	-	46,472	46,472
Intek Group 2012/2017 bonds	-	10,584	10	10,594
Total loans and borrowings	**266,669**	**44,063**	**88,318**	**399,050**

At the end of June 2010, Intek Group S.p.A. and its major subsidiaries operating in the copper and copper-alloy semi-finished products sector obtained from a banking syndicate 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” (a revolving credit line used to cover intra-month inventory needs of industrial companies), was agreed in 2006 and is currently used for an amount approximating the extended amount, represents a facility characterised by broad flexibility of use in relation to the Group’s financing needs.

In addition to the extension of the expirations, the revised agreement provides for a substantial reduction in collateral provided to banks and simplification of the covenants, rendering the latter more in line with the Group’s business plans. The new covenants refer only to the EBITDA/Financial Expense ratio and the Gross Financial Indebtedness/Consolidated Equity and the measure thereof is in line with the parameters that the covenants of the extended loans referred to. The verification of compliance with the aforementioned covenants shall take place on a bi-annual basis; at 31 December 2012 all were complied with. Borrowing costs have remained essentially in line with the extended one.

As from November 2012, coinciding with the operation 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 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). The agreements changed the scope of consolidation and the limit in calculating the Gross debt/Consolidated equity covenant at 31 december 2012, thus bringing it more into line with the financial position of the “new” Group.

Also the agreement signed with GE Commercial Finance for without recourse factoring operations up to a ceiling of Euro 600 million, which was renewed in 2011 and expires in June 2014, was transferred to the German industrial holding company KME AG; Intek Group S.p.A. remained solely as guarantor.

To guarantee repayment of the aforementioned credit lines, the following was agreed:

- a pledge, with reservation of the voting right, of the shares and quotas of KME A.G. subsidiaries: KME Italy S.p.A. and KME Brass Italy S.r.l.;
- a first-level mortgage on the real estate and industrial equipment belonging to the *Osnabrück* plant of KME Germany Gmbh & CO. K.G.;
- 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 S.A.

Furthermore, at the end of April 2011, some French and Italian Group companies of the Group signed with Mediofactoring an agreement for a credit line of up to 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 consolidated financial statements, the aforementioned transactions without recourse amounted to Euro 303.0 million (Euro 377.8 million at the end of the previous year).

Intek Group also has a loan from Unicredit Mediocredito Centrale S.p.A. (residual amount: Euro 45.7 million) guaranteed by SACE S.p.A., for the financing of costs relating to industrial investments, i.e., the acquisition of foreign entities.

The granting (for a total of Euro 103 million) of the loan by tranches was completed in 2010; expiration 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 syndicate and which were complied with in full at 31 December 2012.

This loan too was transferred to the copper sector, while the Parent remained only as guarantor.

Among the bank loans arising from the enlargement of the scope of consolidation were the following:

- the **"GE Capital former Quattrotretre loan"** of Euro 4,667 thousand which expires on 30 June 2014. Euro 1,000 thousand, on the other hand, expires on 30 June 2013 and is therefore classified under current liabilities. The interest expense applicable to the loan is determined on the basis of the Euribor rate, calculated on an annual basis, plus a 3.25% spread. The loan is guaranteed by a lien on Intek Group shares owned by the parent Quattroduedue S.p.A. and envisages covenants which were all satisfied at 31 December 2012;
- **the Rede Immobiliare loan** (Cassa Risparmio Parma e Piacenza) for a total of Euro 4,500 thousand, of which Euro 1,000 thousand expires in the short term. The established duration is until 27 September 2014 with a final payment of Euro 3,000 thousand. The line of credit 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 6,191 thousand in the medium term and Euro 750 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 1,982 thousand which expires on 31 December 2021. The short-term amount is Euro 235 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 1,297 thousand which expires on 30 June 2024. The short-term amount is Euro 120 thousand. Interest is calculated on the basis of 6-month Euribor plus a spread of 1.25%. No financial covenants are envisaged.
- **The Malpaso line of credit** (GE Capital): the loan is for Euro 11,976 thousand, of which Euro 8,272 thousand is a senior share plus interest and a junior share of Euro 3,000 thousand. The expiry is set for 2015 and no repayments are envisaged until the expiry date. 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**” include the recognition, in accordance with IAS 17, of the finance lease contract for the real estate property in Florence, which houses the Group's headquarters, as well as a new plant installed at the end of the first half-year of 2012 within the plant of Fornaci di Barga.

Payables **“due to others”** arise from the change in the scope of consolidation for a total of Euro 4,216 thousand and are due to the *Cassa Nazionale Ragionieri* (National social security fund for accountants). These payables expire on 30 June 2014 and relate to principal of Euro 3,750 thousand and interest for the remainder. Under short-term financial liabilities there is a further amount of Euro 3,750 thousand which expires on 30 June 2013. Interest is calculated on the basis of the 6-month Euribor plus a 1% spread. The maximum yield envisaged cannot in any case exceed Euro 700 thousand and will be fully paid on the expiry of the final instalment.

“SFP Intek Group” and **“Intek Group bonds”** relate 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 shares). There are 22,655,247 Intek Group bonds with a nominal amount of Euro 0.50 issued and in circulation, while 115,863,263 Intek Group shares with a nominal amount of Euro 0.42 were issued and are out standing. Both the categories of securities have a 5-year duration from 2012 to 2017 and are remunerated at 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 shares 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.

All non-current payables and liabilities have maturities of between twelve months and five years except for a Euro 3.9 million bank loan and payables due to lease companies of Euro 0.9 million and the MCC loan of Euro 2.4 million.

4.17 Other non-current liabilities

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	***Changes for the period***	***31/12/2012***
Due to employees	18,187	-	(1,864)	16,323
Directors'end-of-term indemnity	2,133	-	(2,133)	-
Other s	-	1,369	(164)	1,205
Total	**20,320**	**1,369**	**(4,161)**	**17,528**

At 31 December 2011, other payables consisted of the post-employment benefits approved by the Board of Directors on 29 April 2009, confirming what already approved by the Board of Directors of 14 March 2008, amounting to the prorated average of one year's average pay for each three years of service (or pro-quota for shorter periods) and payable to the Chairman. The payment was envisaged at the moment in which the Chairman left the executive position held. On 19 December 2012 the Board of Directors approved the termination of the accrual of the directors' end-of-term indemnity as from 1 January 2013 and the payment of that accrued up to 30 June 2013. Consequently the liability has been classified under current liabilities.

"Due to employees" mainly regards payables due to employees of the German subsidiaries.

"Other", which comes from Intek, relates to the special situations business as part of the taking over of creditors agreements.

4.18 Provisions for risks and charges

A summary of the movements relating to the provisions for risks and charges is as follows:

(amounts in thousands of Euro)	*31/12/2011*	*Translation differences*	*Increases*	*Releases/Uses*	*Change in scope of consolidation*	*Current portion*	*31/12/2012*
Provision for restructuring	10,382	(8)	11,216	(7,570)	-	(8,210)	5,810
Provisions for risks for special situations	-	-	-	-	13,205	(1,934)	11,271
Other provisions for risks and charges	22,761	11	6,871	(5,477)	1,525	(11,605)	14,086
Total	**33,143**	**3**	**18,087**	**(13,047)**	**14,730**	**(21,749)**	**31,167**

The "Current portion" and the balance at 31 December 2012 take into account the movements in "provisions for risks and charges" reported under current liabilities.

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, contingent liabilities of Euro 6.6 million with respect to environmental risks, Euro 2.0 million for legal and tax risks and Euro 3.0 million for product warranties. This increased by Euro 1.6 million as a consequence of the 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 disputed higher revenue for the periods guaranteed by Intek. It is noted that Deloro's appeal, made in agreement with 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 aforementioned companies therefore went to the Court of Appeal; this request was rejected and the KME Group companies involved therefore made an appeal to the Supreme Court of the United Kingdom in October;

In late July, the attorneys of the companies IMI plc and IMI Kynoch sent pre-action correspondence to KME Yorkshire Limited as well as to KME AG, KME Italy S.p.A. and KME France SAS; this correspondence consisted in a letter in which they informed these companies of their intention to summon them as jointly liable co-debtors in the legal proceedings initiated in the UK by certain companies of the Travis Perkins Group against IMI plc and IMI Kynoch and Boliden AB, in their capacity as manufacturer of plumbing and sanitary tubes, in relation to the breach of EU anti-trust regulations. In October, 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, 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 contingent 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 prior year costs which are greater than forecast and which may have a negative impact on the financial position of the INTEK Group.

"Provisions for risks from special situations" relate to the lease and factoring businesses which were previously conducted by the Fime Group and to the subsidiary FEB – Ernesto Breda for liabilities which arose during the administrative compulsory liquidation procedure.

At the publication date of these consolidated financial statements, there were no other significant contingent liabilities.

4.19 Current financial payables and liabilities

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	***Changes for the period***	***31/12/2012***
Loans and borrowings	35,797	27,773	(8,008)	55,562
Due to subsidiaries	2,417	-	(1,601)	816
Due to lease companies	269	-	649	918
Due to factoring companies	54,520	-	(12,735)	41,785
Interest rate swaps (IRS) and currency forward contracts	1,314	-	1,233	2,547
LME and metal buyer/seller contracts	15,521	-	(13,203)	2,318
Due to others	137,938	4,056	(126,027)	15,967
Total	247,776	31,829	(159,692)	119,913

"Loans and borrowings" also include amounts falling due within twelve months of the long-term loans.

"Due to factoring companies" elates to the factoring of receivables with recourse at the end of the reporting year.

"LME and metal sales/purchase contracts" are recognised at the fair value of contracts outstanding at year end.

Current financial payables item **"Due to others"** of 2011 includes a reclassification of the aforementioned payables regarding EU fines which became definitive and were paid in February 2012.

The net financial position with the details of its main components pursuant to Consob

Communication no. 6064293 and the CESR recommendation of 10 February 2005 "R*ecommendations 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 Euros)	***31/12/2011***	***Change in scope of consolidation***	***Changes for the period***	***31/12/2012***
Due to suppliers	526,358	1,909	(24,913)	503,354
Due to subsidiaries	580	-	(241)	339
Total	526,938	1,909	(25,154)	503,693

The carrying amount of trade payables is believed to approximate their fair value.

4.21 Other current liabilities

(Thousands of Euros)	***31/12/2011***	***Change in scope of consolidation***	***Changes for the period***	***31/12/2012***
Due to employees	41,055	266	(1,389)	39,932
Due to social security institutions	12,241	104	(1,425)	10,920
Tax liabilities	36,168	2,912	(18,283)	20,797
Accrued expenses and deferred income	3,022	-	(268)	2,754
Other payables	30,523	2,517	(1,399)	31,641
Total	123,009	5,799	(22,764)	106,044

"Amount due to employees" includes accrued amounts that were unpaid at the end of the reporting period. **"Tax liabilities"** primarily relates to value added tax payable and direct taxes.

"Other liabilities" includes Euro 20.7 million in payables due to customers for advances and credit notes issued in the copper sector and Euro 1.4 million in payables due to former leases customers from Intek and relate to sums received by way of advance from customers and not offset with credit entries.

4.22 Deferred tax assets and liabilities

(thousands of Euro)	***31/12/2011***	***Change in scope of consolidation***	**Change**	***31/12/2012***
Deferred tax assets	31,491	9,193	1,883	42,567
Deferred tax liabilities	(119,133)	(3,329)	5,428	(117,034)
Total	(87,642)	5,864	7,311	(74,467)

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 date of these consolidated financial statements the Group had not recognised any deferred tax assets on the prior tax losses for Euro 245 million. Below is the breakdown at 31 December 2012 of the tax losses on which the deferred tax assets had been "recognised" and "unrecognised", divided by company:

(Thousands of Euros)	***31/12/2011***	***31/12/2012***
a) recognised tax losses carried forward		
Intek Group S.p.A.	1,675	2,307
Rede Immobiliare	-	1,359
Greenrecycle Srl	-	2,490
KME AG	-	-
KME Germany AG & Co. KG	-	-
KME Verwaltungs- u. Dienstleistungs-GmbH	1,481	858
KME Architectural Metals GmbH & Co. KG	-	-
KME Italy S.p.A.	16,000	16,000
KME Locsa SA	930	930
KME Yorkshire Ltd	4,438	11,137
Total (1)	**24,524**	**35,082**
b) unrecognised tax losses carried forward		
KME Group S.p.A.	-	-
KME France S.A.	61,986	62,604
KME Brass France S.a.s.	-	-
KME Spain SA	39,671	62,988
KME Italy S.p.A.	41,483	51,059
KME Locsa SA	19,498	-
KME Architectural Metals GmbH & Co. KG	9,940	-
KME Germany Bet Gmbh	-	859
KME Recycle S.r.l.	-	1,688
KME Mould Service Australia PTY Ltd	-	865
Immobiliare Agricola Limestre	-	912
Greenrecycle Srl	-	4,462
FEB -Ernesto Breda	-	
Other companies	1,699	59,317
Total (2)	**174,277**	**244,754**
Total (1) + (2)	**198,801**	**279,836**

Deferred tax assets and liabilities by financial statements item are shown below:

(Thousands of Euros)	Deferred tax assets		Deferred tax liabilities	
	31.12.11	**31.12.12**	**31.12.11**	**31.12.12**
Property, plant and equipment	248	296	(57,224)	(51,298)
Intangible assets	59	39	-	(156)
Investment property	170	1,003	-	(1,119)
Other non-current assets	-	-	-	(290)
Inventories	405	1,010	(52,810)	(57,202)
Trade receivables	1,722	8,658	(122)	(115)
Other current receivables and assets	-	704	(140)	(2)
Current financial assets	456	432	(7,939)	(4,437)
Non-current assets held for sale	-	-	-	-
Employee benefits	9,255	9,754	(564)	(624)
Non-current financial liabilities	3	934	-	-
Other non-current liabilities	4,276	4,163	-	(642)
Provisions for risks and charges	2,296	3,573	(35)	-
Current financial liabilities	4,026	819	(74)	(248)
Trade payables	679	77	-	-
Other current liabilities	661	1,822	(225)	(901)
Deferred tax assets on equity items	67	220	-	-
Deferred tax assets on tax losses carried forward	7,168	9,063	-	-
Total	**31,491**	**42,567**	**(119,133)**	**(117,034)**

Deferred taxes recognised in equity primarily refer to costs associated with the capital increase and the purchase of treasury shares incurred by the Parent.

4.23 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. Information regarding the remuneration of key Managers and Directors is shown below:

(thousands of Euro)	**Short-term benefits**	**Post-employment benefits**	**Other-long term benefits**	**Termination benefits**	**Share-based benefits**	**Total**
Year 2012	4,319	21	-	1,152	453	5,944
Year 2011	5,441	20	-	2,619	941	9,021

For further details reference should be made to the Remuneration Report.

4.24 Consolidated statement of cash flows

The "change in the scope of consolidation" includes the opening balance of "cash and cash equivalents" of the companies that are included in the scope of the consolidation for the first time including Intek's liquidity.

The changes in equity were considered on the basis of the date of initial consolidation.

5. 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".

5.1 Revenue from sales and services

An analysis of revenue by geographical segment is shown below:

(Millions of Euro)	**Year 2011**	**Year 2012**
Germany	741	610
Italy	507	402
France	*352*	*294*
United Kingdom	215	191
Spain	112	82
Other European countries	748	653
Total Europe	*2,676*	*2,232*
Rest of the world	**336**	**339**
Total	**3,011**	**2,571**

Revenue, net of raw material costs, as shown in the Directors' Report decreased by Euro 90.2 million from Euro 799.9 million for 2011 to Euro 709.8 million for 2012.

No single customer accounted for more than 10% of Group revenue (IFRS 8, para. 34).

5.2 Purchases and change in raw materials

(Thousands of Euros)	***2011***	***2012***	***Change***	***Change%***
Purchase of raw materials and consumables	(2,330,906)	(1,894,182)	436,724	-18.7%
(Gains)/losses on LME trading	35,255	(7,596)	(42,851)	-121.5%
Fair value on LME and metal buyer/seller contracts	49,270	11,707	(37,563)	-76.2%
Change in raw materials and consumables	(17,790)	(31,788)	(13,998)	78.7%
Purchases and change in raw materials	**(2,264,171)**	**(1,921,859)**	**342,312**	**-15.1%**

5.3 Other operating income

(thousands of Euro)	***2011***	***2012***	***Change***	***Change%***
Government grants	1,760	1,167	(593)	-33.7%
Gains on sale of non-current assets	2,622	359	(2,263)	-86.3%
Lease income	1,213	1,346	133	11.0%
Cafeteria	609	614	5	0.8%
Insurance claim	2,343	691	(1,652)	-70.5%
Other	15,721	15,413	(308)	-2.0%
Total other operating income	**24,268**	**19,590**	**(4,678)**	**-19.3%**

The **"gains on sale of non-current assets"** for 2011 mainly refers (Euro 2.3 million) to the transfer of the company branch consisting of the corporate complex which manufactures shell-casings.

The overall amount (Euro 0.4 million) of "Gains on sale of non-current assets" has been reported under "Non-recurring income/ (expense)" in the "Reclassified Income Statement" shown in the Directors' Report.

5.4 Personnel expense

(Thousands of Euros)	***2011***	***2012***	***Change***	***Change%***
Wages and salaries	(260,196)	(237,997)	22,199	-8.5%
Social security charges	(63,965)	(61,011)	2,954	-4.6%
Cost of stock option	(941)	(458)	483	-51.3%
Other personnel expense	(33,093)	(31,946)	1,147	-3.5%
Total personnel expense	**(358,195)**	**(331,412)**	**26,783**	**-7.5%**

"Other personnel expense" includes accruals for **"defined benefit pension plans"** and "post-employment benefits" of Euro 13.0 million.

Euro 15.9 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:

	2012	2011
Blue-collar workers	4,372	4,600
Executives and clerical	1,739	1,776
Total	6,111	6,376

During 2010, the “KME Group S.p.A. 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 corporate structure/organisation 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 is 31,000,000).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of KME Group S.p.A. 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 award 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 assigned, at a subscription price of Euro 0.326 per share, one third of which can be subscribed as from the first year after the allocation date; a further third as from the second year after the allocation date, and the final third as from the third year after the allocation date. The final exercise date was set at 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 2012 is as follows:

situation at:	31/12/2011 no. options	31/12/2012 no. Options
Options outstanding at 1 January	**25,500,000**	**25,500,000**
New options awarded	-	3,500,000
Options re-awarded	-	-
Options exercised during the year	-	-
Options forfeited during the year	-	-
Options outstanding at year end	**25,500,000**	**29,000,000**
of which eligible for exercise:	8,500,000	8,500,000

More details regarding the Plan are provided in the section "Remuneration of Directors and Group Managers" and in the "Information Document" which has been prepared and is available on the Company's website.

5.5 Amortisation, depreciation and impairment losses

(Thousands of Euros)	***2011***	***2012***	***Change***	***Change%***
Depreciation	(44,227)	(45,468)	(1,241)	2.8%
Amortisation	(1,169)	(1,056)	113	-9.7%
Reversals of prior year impairment losses	636	2,160	1,524	239.6%
Impairment losses	(10,876)	(7,308)	3,568	-32.8%
Total amortisation, depreciation, impairment losses	**(55,636)**	**(51,672)**	**3,964**	**-7.1%**

A part of Depreciation and Impairment losses (Euro 7.6 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 Euros)	***2011***	***2012***	***Change***	***Change %***
Energy	(72,841)	(76,313)	(3,472)	4.8%
Maintenance and repairs	(36,197)	(28,923)	7,274	-20.1%
Insurance premiums	(13,658)	(13,892)	(234)	1.7%
Lease payments and operating leases	(11,560)	(11,589)	(29)	0.3%
Outsourced production	(34,186)	(28,709)	5,477	-16.0%
Sales logistics and transport	(60,012)	(55,277)	4,735	-7.9%
Commissions	(18,565)	(15,175)	3,390	-18.3%
Factoring funding fees	(6,846)	(4,431)	2,415	-35.3%
Other operating costs	(91,178)	(92,120)	(942)	1.0%
Total other operating costs	**(345,043)**	**(326,429)**	**18,614**	-5.4%

"Factoring funding fees" are the fees on the factoring without recourse of trade receivables.

"Other operating costs" include:

- provisions for risks and charges less releases, if any, totalling Euro 17.6 million;
- bank fees of Euro 4.3 million;
- losses on disposal of Euro 0.4 million;
- accruals to allowance for impairment of Euro 4.7 million;
- advertising and other business expenses of Euro 3.9 million;
- legal consultancy and administrative costs plus fees for company bodies and independent auditors of Euro 13.7 million;
- waste disposal costs of Euro 5.0 million;
- travel and company cafeterias of Euro 4.9 million;
- phone and communication costs of Euro 1.8 million;
- external staff expenses of Euro 4.5 million;
- information technology consulting of Euro 1.7 million;
- membership fees of Euro 2.2 million.
- other taxes of Euro 8.1 million.

A part of the aforementioned costs (Euro 27.1 million) has been reported under "Non-recurring income/ (expense)" in the "Reclassified Income Statement" shown in the Directors' Report.

5.7 Financial income/(expense)

(Thousands of Euros)	***2011***	***2012***	***Change***	***Change %***
Interest income	1,751	1,087	(664)	-37.9%
Exchange rate gains	12,669	8,512	(4,157)	-32.8%
Dividends	851	271	(580)	-68.2%
Other financial income	14,250	737	(13,513)	-94.8%
Total financial income	*29,521*	*10,607*	*(18,914)*	*-64.1%*
Interest expense	(12,936)	(8,977)	3,959	-30.6%
Exchange rate losses	(8,783)	(14,792)	(6,009)	68.4%
Other financial expense	(13,984)	(14,372)	(388)	2.8%
Total financial expense	*(35,703)*	*(38,141)*	*(2,438)*	*6.8%*
Net financial expense	**(6,182)**	**(27,534)**	**(21,352)**	345.4%

In 2011 **"other financial income"** included Euro 12,945 thousand, at consolidated level, arising from the disposal of the Drive Group following its merger into COBRA AT S.p.A. This gain was calculated as the difference between the carrying amount of the investment in Cobra received in the swap for the transfer of the investment in Drive and that of the investment in Drive S.p.A. at the transfer date.

5.8 Share of profit/ (loss) of equity-accounted investees

The loss of Euro 7.3 million (a loss of Euro 8.3 million in 2011, considering the adjustment made to the financial statements for the previous year by ErgyCapital) relates to the share of losses for the year of the following investees:

- ErgyCapital S.p.A. for Euro 0.9 million
- Cobra A.T. S.p.A. for Euro 6.3 million.

5.9 Current and deferred taxes

(Thousands of Euros)	***2011***	***2012***	***Change***	***Change%***
Current taxes	(21,878)	(7,707)	14,171	-64.8%
Deferred taxes	3,781	6,696	2,915	77.1%
Total current and deferred taxes	(18,097)	(1,011)	17,086	-94.4%

Since 2007, INTEK Group S.p.A. and most of its Italian subsidiaries elected to apply the “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)	**31.12.11**	**31.12.12**
Profit (loss) before taxes	**4,262**	**(77,158)**
Theoretical tax charge *(tax rate used 31.4%)*	(1,338)	24,228
Reconciliation:		-
Use of different tax rates:	29	(1,859)
Other items:		-
Non-deductible (expense) and non-taxable income	(13,947)	(14,229)
Tax losses – Deferred taxes not set aside	2,530	(4,962)
Use of tax losses	2,530	84
Impairment losses on investments and securities	(2,668)	(972)
Current taxes for previous years	244	(1,007)
Taxes on profits/(losses) of equity-accounted investees	(2,614)	(2,298)
Other	(333)	4
Total taxes recognised in profit and loss	**(15,567)**	**(1,011)**

5.10 Loss from discontinued operations

In 2011 this item included the reclassification of the loss for the first half of the year relative to the Drive Group.

6 Other information

Financial instruments by categories

(Thousands of Euros)	***2011***	***2012***	***Change***
Fin. assets recognised at fair value through profit or loss	176,163	45,490	(130,673)
Held-to-maturity investments	-	-	-
Loans and receivables	291,400	261,189	(30,211)
Available-for-sale financial assets	-	-	-
Fin. liabilities at fair value through profit or loss	16,835	4,865	(11,970)
Fin. liabilities at amortised cost	1,024,548	1,120,566	96,018
	1,508,946	**1,432,110**	**(76,836)**

Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items at 31 December 2012:

(Thousands of Euros)	**Total**	**At amortised cost**	**At fair value**	**Outside the scope of IFRS 7**
Investments in subsidiaries	49,301	-	-	49,301
Other non-current assets	8,318	8,318	-	-
Non-current financial assets	24,711	7,636	17,075	-
Trade receivables	129,846	129,846		-
Other current receivables and assets	50,028	30,928		19,100
Current financial assets	112,876	84,461	28,415	-
Total financial assets	**375,080**	**261,189**	**45,490**	**68,401**
Non-current financial liabilities	(399,050)	(399,050)		-
Other non-current liabilities	(17,528)	(17,528)		-
Current financial payables and liabilities	(119,913)	(115,048)	(4,865)	-
Trade payables	(503,693)	(503,693)		-
Other current liabilities	(106,044)	(85,247)		(20,797)
Total financial liabilities	**(1,146,228)**	**(1,120,566)**	**(4,865)**	**(20,797)**

Notional amount of financial instruments and derivatives

The following table shows a summary of notional amount and terms of derivative financial instruments outstanding at year end:

(Thousands of Euros)	Expiry			Total at	
	1 year or less	from 1 to 5 years	over 5 years	31/12/2012	31/12/2011
LME and metal buyer/seller contracts	700,608	3,812		704,420	673,575
Foreign exchange forward contracts	268,103	-		268,103	314,728
Cross-currency swaps				-	-
Interest rate swaps (IRS)				-	-
Total	**968,711**	**3,812**	**-**	**972,523**	**988,303**

The net change of the fair value through profit and loss for LME transaction and metal buying/selling contracts was positive by Euro 11.7 million (positive by Euro 49.3 million in 2011).

The notional amount of "LME commodity contracts and metal sales/purchase contracts" is the aggregate of sales and purchases.

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 due from non-Group companies at the date of these consolidated financial statements was as follows:

(Thousands of Euros)	Gross carrying amount	Impairment at 31 December 2012	Net carrying amount
not yet due	71,389	(865)	70,524
Up to 60 days past due date	23,567	(46)	23,521
61 to 120 days past due	7,108	(238)	6,870
121 days to 1 year past due	8,116	(750)	7,366
over 1 year past due	17,300	(12,895)	4,405
Total	**127,480**	**(14,794)**	**112,686**

Changes in the allowance for impairment during the year are shown below:

(Thousands of Euros)	
Balance at 31 December 2011	13,522
Translation differences	(9)
Change in scope of consolidation	834
Impairment losses of the year	4,296
Uses	(2,676)
Releases	(1,173)
Balance at 31 December 2012	**14,794**

Currency exposure

The following table shows the Group's exposure to currency risk by notional amount for the relevant currency:

31.12.2012	**USD**	**GBP**	**CHF**	**SEK**	**EUR**
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	-	-
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 statement of financial position exposure	**(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**

Currency risk exposure for the previous financial year:

The “EUR” column expresses the currency risk of foreign subsidiaries that did not have the Euro as their functional currency.

31.12.2011	USD	GBP	CHF	SEK	EUR
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Trade receivables	14,165	1,317	26	11,630	273
Other current receivables and assets	33	50	-	-	-
Current financial assets	11,049	1,447	1,610	13,748	845
Cash and cash equivalents	8,812	3,629	3,598	4,742	436
Financial liabilities	150	1	144	6,474	273
Trade payables	302,241	397	78	6,504	579
Other current liabilities	301	158	-	8,756	-
Gross statement of financial position exposure	**(268,633)**	**5,887**	**5,012**	**8,386**	**702**
Projected sales	35,803	8,826	2,440	45,030	497
Projected purchases	41,836	589	292	1,038	1,520
Gross exposure	**(274,666)**	**14,124**	**7,160**	**52,378**	**(321)**
Currency forward contracts	(298,860)	8,070	3,300	44,550	(2,668)
Net exposure	**24,194**	**6,054**	**3,860**	**7,828**	**2,347**

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 2012, in equity and an improvement (deterioration) of the net results for the period of Euro 1.4 million. The analysis was made assuming that all other variables remained constant, in particular interest rates. The same analysis for 31 December 2011 would have increased (decreased) results and equity by Euro 3.2 million.

Interest rate risk

The Group's interest rate structure of interest-bearing financial instruments at 31 December 2012 was as follows:

(Thousands of Euros)	**31/12/2011**	**31/12/2012**
Fixed rate instruments		
Financial assets	7,670	-
Financial liabilities	(74,123)	(57,066)
Total fixed rate instruments	**(66,453)**	**(57,066)**
Floating rate instruments		
Financial assets	70,430	19,543
Financial liabilities	(421,623)	(406,001)
Total Floating rate instruments	**(351,193)**	**(386,458)**

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 year end would not have had an effect on the Statement of Comprehensive Income.

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 year end would have resulted in a decrease in equity and a deterioration of results of Euro 5.9 million. The same effect on financial statements figures at 31 December 2011 would have had a negative impact of Euro 6.6 million.

Sensitivity analysis of the cash flows of floating rate financial instruments

An increase (or decrease) of 50 interest rate basis points (bps) at year end would have produced a decrease (increase) in equity and results of approximately Euro 1.21 million (Euro 1.1 million in the 2011). 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 2011.

Exposure to liquidity risk

Liquidity risk can arise from the inability to raise financing 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.

Fair value and carrying amount

Pursuant to IFRS 7 para. 25 we declare that the carrying amount of the financial assets and liabilities recognised in these consolidated financial statements do not diverge from their fair value.

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.

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.

Other financial obligations

Below is a summary showing the minimum irrevocable payment obligations under operating leases at year end:

(thousands of Euro)	**31/12/2011**	**31/12/2012**
within 1 year	5,342	5,753
between 1 and 5 years	9,796	8,156
due after 5 years	1,907	99
	17,045	14,008

Purchase commitments relating to property, plant and equipment at year end reporting period amounted to Euro 3.7 million. These purchase commitments will lapse within one year.

7 Segment reporting

Pursuant to IFRS 8 the following segment reporting is provided. 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.

(amounts in thousands of Euro)	Copper	Finance	Advanced Services	Holding	Consolidated and various	Total
Revenue	2,571,510	-	-		-	2,571,510
Financial Income	9,991	-	-		616	10,607
Financial expense	(34,746)	-	(5,633)		2,238	(38,141)
Amortisation, depr. and impairment losses	(51,646)	-	-		(26)	(51,672)
Segment profit before taxes	(63,212)	-	(7,319)		(6,627)	(77,158)
Non-current assets						
Investments in subsidiaries and associates	6,367	963	6,480	-	-	13,810
Investments in equity-accounted investees	-	-	35,212	-	-	35,212
Consolidation differences	118,364	7,437	-	-	-	125,801
Other non-current assets	528,528	107,802	-	-	85,945	722,275
Current assets	864,317	34,289	-	-	35,540	934,146
Current and non-current liabilities	1,312,297	37,485	-	-	122,967	1,472,749

Below are the comparative figures with previous year (which did not include the finance sector).

(amounts in thousands of Euro)	Copper	Advanced Services	Holding	Consolidated And various	Total
Revenue	3,011,693	-		(56)	3,011,637
Financial income	13,541	12,945		3,035	29,521
Financial expense	(30,526)	(1,960)		(3,217)	(35,703)
Amortisation, depr. and impairment losses	(55,603)	-		(33)	(55,636)
Segment profit before taxes	6,646	(7,123)		5,939	5,462
Non-current assets					
Investments in subsidiaries and associates	6,377	4,833	-	-	15,410
Investments in equity-accounted investees	-	47,826	-	-	47,826
Consolidation differences	118,367	-	-	-	118,367
Other non-current assets	645,593	-	-	12,955	658,548
Current assets	1,073,742	-	-	13,595	1,087,337
Current and non-current liabilities	1,455,065	-	-	35,362	1,490,427

Annexes to the notes to the consolidated financial statements:

Reconciliation of the net loss of the Parent Intek Group S.p.A. and the consolidated loss for the year ended 31 December 2012

(Thousands of Euros)	
L for the year of Intek Group S.p.A. separate financial statements	**(18,383)**
Loss for the year of consolidated companies (1) (2)	(79,041)
Consolidation adjustments (3)	26,011
Share of losses of equity-accounted investees (4)	(7,319)
	(60,349)
Loss attributable to owners of the Parent	**(78,732)**
Losses of subsidiaries 1.1.2012 - 31.12.12	
(1) KME A.G. consolidated loss	(63,933)
(2) Share of loss of KME Partecipazioni S.p.A.	(15,108)
(3) Impairment losses (reversal of impairment losses) on investments in consolidated companies	26,932
(3) Other consolidation adjustments	(921)
(4) Losses of equity-accounted investees	(7,319)
Total	(60,349)

Reconciliation between the equity of the Parent and the Consolidated equity at 31 December 2012

(Thousands of Euros)	
Parent's Equity including the loss for the year	**436,007**
Consolidation reserves	(23,906)
Difference between consolidated loss and Parent's loss for the year	(60,349)
Equity attributable to the owners of the Parent, including loss for the period	**351,752**
Breakdown of consolidation reserves:	
1) Netting of investments	**(134,484)**
2) Netting of intercompany dividends	-
3) KME A.G. goodwill arising on consolidation	109,840
4) Effect of the translation of the financial statements of foreign operations	818
5) Total comprehensive income	(80)
Total	**(23,906)**

INTEK GROUP

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 *BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 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 Marco Miniati, the Manager in charge of Financial Reporting of Intek Group S.p.A., 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 consolidated financial statements for 2012.

2. Intek Group S.p.A., established as a result of the merger of Intek S.p.A. into KME Group S.p.A. on 30 November 2012, implemented a structured process for the full management of the internal control system for the purposes of Law 262/05.

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, 27 March 2013.

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Marco Miniati*

Report of the Board of Statutory Auditors on the consolidated financial statements as at 31 December 2012

The Board of Statutory Auditors hereby presents its brief report on the consolidated financial statements as at 31 December 2012, 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 as at 31/12/2012.

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 standards which are different from the IFRS, mainly in terms of measurement and presentation.

As usual, the Board of Directors has presented the results for 2012 according to the international accounting standards as well as with a focus on operations.

The difference between the two presentation systems results in a positive amount of €10.3.

The main economic data in the consolidated financial statements can be summarised as follows:

- Consolidated LOSS	€/million	(78.7)
- EBITDA IFRS	€/million	9.3
- Operating EBITDA	€/million	40.5
- Financial expense	€/million	(27.6)
- IFRS depreciation/amortisation	€/million	(51.6)
- Operating depreciation/amortization	€/million	(44.0)

The main equity data in the consolidated financial statements can be summarised as follows:

- Current assets €/million 897
- Non-current assets €/million 934
- Equity €/million 352 (€/million 358 including non-controlling interests)
- Non-current liabilities €/million 721
- Current liabilities €/million 751

As shown in the Directors' Report, through its subsidiaries, the company essentially acts as an operating holding company in the following three areas:

1) Copper (KME AG);
2) Advanced Services (Cobra AT spa – Ergy Capital spa);
3) 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, Directors have provided specific information regarding the subsidiary Cobra AT, which, following its failure to meet the requirements of the covenants in the loan agreements, is currently going through a standstill *vis à vis* the banking system, which is significant also on a going concern basis.

The Board of Directors, in compliance with Legislative Decree 127/1991, has presented consolidated financial statements as at 31 December 2012, 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/IAS recognition and measurement criteria.

The Chairman of the Company, Vincenzo Manes, and Marco Miniati, the Manager in charge of Financial Reporting of KME Group S.p.A., 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 2012, and their compliance with international financial reporting standards.

All subsidiaries, being those companies over which the Group exercises control of financial and operational policies and generally exercise 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.

Information on the most important events, related party and/or intercompany transactions in 2012, 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 separate financial statements for the year.

The consolidated loss for the year is Euro 78.70 million, significantly worsened compared to 2011, due to the combined effect of a significant contraction of sales volumes and non-recurring expenses resulting from the allocations made subsequent to the reconversion of production sites, in addition to the losses deriving from certain equity investments which were not consolidated on a line-by-line basis.

Exhaustive information has been provided in the Consolidated financial statements (accounting standards, 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 2012 the consolidated loss was influenced by a positive adjustment resulting from IFRS measurement criteria of approximately Euro 10.3 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 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.

The Independent Auditors KPMG, with which the Board of Statutory Auditors had the necessary contact, issued an unqualified 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 and results of operations as at 31 December 2012.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Florence, 09 April 2013

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(Marco Lombardi)

The standing auditor

(Francesca Marchetti)

The standing auditor

(Lorenzo Boni)

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(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 2012, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The directors of Intek S.p.A. (formerly KME Group S.p.A.) 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 20 April 2012. 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 2012.

3 In our opinion, the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2012 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 2012, 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 the 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 the 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 the 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 2012.

Milan, 9 April 2013

KPMG S.p.A.

(signed on the original)

Piero Bianco
Director of Audit