**INTEK GROUP**

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

# INTERIM FINANCIAL REPORT AT 30 JUNE 2013

pursuant to article 154-ter, TUF

Board of Directors' Meeting
of 2 August 2013

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

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# Company Bodies

***Board of Directors***

| | |
|---|---|
| **Chairman** | Vincenzo Manes[B] |
| **Deputy Chairwoman** | Diva Moriani[B] |
| | Mario d'Urso[A,C,D] |
| | Marcello Gallo |
| | Giuseppe Lignana[A,C,D] |
| | James Macdonald |
| | Ruggero Magnoni |
| | Alberto Pirelli[A,C] |
| | Luca Ricciardi[A,D] |
| | Franco Spalla[A] |

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

***Board of Statutory Auditors***

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

***Manager in charge of Financial Reporting*** — Giuseppe Mazza

***Independent auditors*** — KPMG SpA

***Common Representative of Saving Shareholders*** — Pietro Greco

***Common Representative of holders of "INTEK Group SpA 2012/2017 Bonds"*** — Marco Crispo

***Common Representative of holders of "2012-2017 Intek Group SpA Debt securities"*** — Rossano Bortolotti

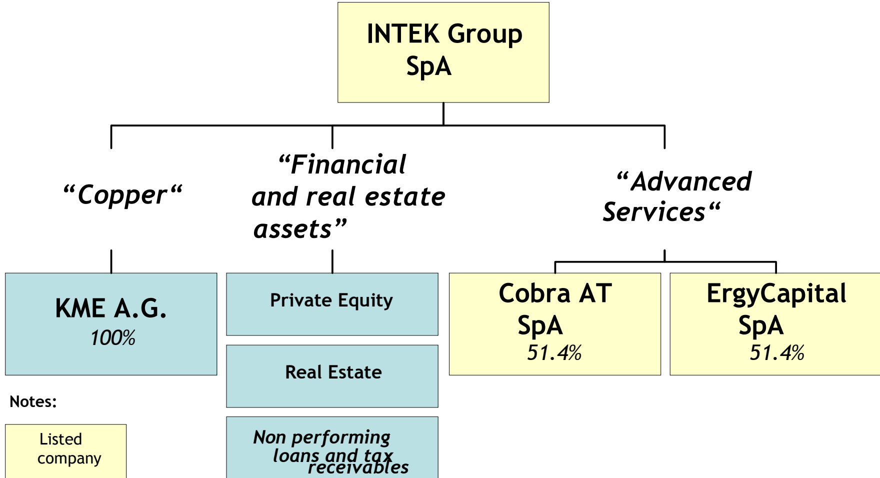
*Please refer to page 21 for further information on changes in company bodies which took place in the first half of the year.*

# Interim Directors' Report

*Dear Shareholders,*

we provide below the Group's corporate structure in brief, indicating INTEK Group SpA's investment sectors, as changed following the merger of Intek SpA into KME Group SpA (which at the same time transformed its company name into INTEK Group SpA) concentrating the two companies' structures and businesses into a single holding – parent company.

***Summary of the Group's corporate structure***




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

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

## The parent INTEK Group SpA

The configuration adopted by the Company, on the outcome of the merger reminded above, as a holding company of diversified investments, will increasingly lead the separate financial statements of the parent to represent more effectively the financial structure and the actual operating performance of the new entity.

The INTEK Group makes investments with medium-long term time horizons combining its entrepreneurial perspective with a solid financial structure and seeks to redefine a flexible portfolio with smaller investment cycles and more rapid cash generation.

Maximisation of the value of the assets managed is achieved by carefully defining business strategies and control of their implementation by subsidiaries, identification of agreements and/or partnership opportunities, the valorisation of specific assets and the management of extraordinary operations for subsidiaries.

At 30 June 2013, the **carrying amount of the company's investments** amounted to Euro 520 million, unchanged from 31 December 2012, with a **net financial debt** of Euro 86.9 million that includes debt instruments amounting to Euro 61.7 million, with the corresponding interest, issued on the occasion of the public exchange offers of July/August of the past year, that, within the purview of structured company re-organization project, preceded the merger.

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

| Condensed separate statement of financial position | | | | |
|---|---|---|---|---|
| *(thousands of Euro)* | *30 Jun. 2013* | | *31 Dec. 2012* | |
| Copper | 384,032 | 73.85% | 381,651 | 73.41% |
| Financial and real estate assets | | | | |
| *Private Equity* | 12,925 | | 19,655 | |
| *Non operating assets* | 21,281 | | 24,302 | |
| *Real Estate/Others* | 27,798 | | 27,947 | |
| Total financial and real estate assets | 62,004 | 11.92% | 71,904 | 13.83% |
| Advanced services | 70,699 | 13.60% | 62,073 | 11.94% |
| Other non-current assets/liabilities | 3,299 | 0.63% | 4,271 | 0.82% |
| Carrying amount of investments | 520,034 | 100.00% | 519,899 | 100.00% |
| Net reclassified financial debt *(net of securities issued)* | (25,226) | | (24,853) | |
| Intek Group SpA 8% 2012 – 2017 Debt securities | (50,222) | | (48,072) | |
| Intek Group SpA 8% 2012 -2017 Bonds | (11,486) | | (10,966) | |
| Net reclassified financial debt | (86,934) | -16.72% | (83,891) | -16.14% |
| Total equity | 433,100 | 83.28% | 436,008 | 83.86% |

**Equity** per share amounted to Euro 1.09 in line with figures at 31 December 2012.

**Equity** did not undergo many changes in the first half of 2013, except for profit for the period. The **Share Capital** at 30 June 2013 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares and into 50,109,818 savings shares, all of which without par value.

At 30 June 2013 the INTEK Group held 6,230,691 ordinary treasury shares and 978,543 savings treasury shares for an overall amount of Euro 2.5 million.

The subsidiary KME Partecipazioni SpA held 2,512,024 INTEK Group's savings shares, for an overall amount of Euro 1.0 million.

INTEK Group's **reclassified net financial position** at 30 June 2013, compared with 31 December 2012, is broken down as follows:

| Reclassified net financial position | | | |
|---|---|---|---|
| *(thousands of Euro)* | | *30 Jun. 2013* | *31 Dec. 2012* |
| Cash and cash equivalents | | (7,211) | (10,576) |
| Other financial assets | | (442) | (439) |
| Current loans and receivables from subsidiaries | | (8,441) | (38,454) |
| Current receivables for financial guarantees due from subsidiaries | | (4,956) | (5,152) |
| (A) Net financial assets | (A) | (21,050) | (54,621) |
| Current loans and borrowings | | 42,428 | 50,720 |
| Loans and borrowings due to subsidiaries | | 13,792 | 15,021 |
| (B) Current loans and borrowings | (B) | 56,220 | 65,741 |
| | | | |
| (C) Current net financial debt | (A) | 35,170 | 11,120 |
| Non-current loans and borrowings | | 1,566 | 57,770 |
| Intek Group 2012 – 2017 Equity instruments | | 46,692 | 46,472 |
| Intek Group 2012-2017 Bonds | | 10,664 | 10,594 |
| (D) Non-current loans and borrowings | | 58,922 | 114,836 |
| | | | |
| (E) Net financial debt | (C) | 94,092 | 125,956 |
| | | | |
| Non-current receivables for financial guarantees due from subsidiaries | | (1,566) | (3,084) |
| Non-current loans and receivables from subsidiaries | | (4,920) | (34,585) |
| Non-current loans and receivables from banks | | (672) | (4,396) |
| (F) Non-current loans and receivables | | (7,158) | (42,065) |
| | | | |
| (G) Reclassified net financial debt | (E) + (F) | 86,934 | 83,891 |

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

The ***Reclassified Net Financial Debt*** was equal to Euro 86.9 million, including Euro 61.7 million (including accrued interest) related to the 2012-2017 Participatory Financial Instruments and to the 2012-2017 Bonds issued in 2012 against ordinary shares brought in with the public exchange offers. The Debt is equal to 16.72% of the Investments and to approximately one-fifth of the Equity, indicating a solid financial structure.

The transfer of the loans related to the copper sector from the parent to KME AG, a sub-holding of the copper sector, was completed in the first months of 2013. The transaction was carried out by offsetting the receivables from KME AG and other operational companies of the copper sector that also arose in relation to the equity investment disposals that took place in 2012. The debt of the parent, which remained the guarantor of the loans transferred, was composed only of positions typical of holdings.

Euro 6.0 million of loan instalments payable to GE Capital were paid back during the half-year. The residual exposure to this bank is equal to Euro 14.7 million, of which Euro 10.0 million coming due at the end of September 2013 and in the process of being renegotiated with the bank itself.

An agreement for the payment of the Euro 7.5 million debt payable to Cassa Nazionale Previdenza e Assistenza a favore dei Ragionieri e Periti Commerciali (the “Qualified Accountants Pension Fund”) with half due on 30 June 2013 and half coming due on 30 June 2014, is in process of being finalized. The agreement anticipates, in settlement of the debt, the transfer of the Paris property assets held by the subsidiary I2 Real Estate Srl and of other real estate properties originating from the agreements with Eredi Palano, of which the Intek Group is a creditor. We expect the agreement to be signed within 31 October 2013.

At the end of first half of 2013, the Company transferred the receivable from the investee ErgyCapital, amounting to a total of Euro 8.4 million, to its own subsidiary KME Partecipazioni SpA. In July 2013, the subsidiary used this credit, amounting to Euro 7.2 million, to subscribe 53,590,867 of newly issued ordinary ErgyCapital shares, equal to 51.37% of the total of the offered shares, becoming a holder of 61.26% of that company's share capital.

The holding’s **Loss from ordinary activities** was Euro 3.0 million. The Company's Income Statement for the first half of 2013 is of little significance, limiting itself to recording the interim development of the operating costs as well as the financial expense on the net debt and the ordinary financial income, primarily associated with commissions earned on guarantees made on behalf of subsidiaries.

During the period in consideration, in fact, no significant divestments were carried out and no dividends were collected from the investees; for performance and business forecasts on said companies in the next few months, refer to the information illustrated in the following pages.

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

| Reclassified Income Statement | | |
|---|---|---|
| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* |
| Income from investments | - | - |
| Service income | 125 | 1,420 |
| Net operating costs | (2,800) | (3,082) |
| Stock option costs | (141) | (209) |
| Net financial income /(expense) | (582) | 2,326 |
| Profit (loss) from ordinary activities | (3,398) | 455 |
| Non-recurring income (expenses) | - | (3,500) |
| Loss before taxes | (3,398) | (3,045) |
| Taxes for the year | 388 | (143) |
| Loss for the year | (3,010) | (3,188) |

The item “*Net financial income/(expense)*” deteriorated due to interest on outstanding debt securities from the second half of 2012.

Cash flows for the first half of 2013 are broken down as follows:

| Statement of cash flows – indirect method | | | |
|---|---|---|---|
| *(thousands of Euro)* | | *1st half 2013* | *1st half 2012* |
| (A) Cash and cash equivalents at the beginning of the year | | 10,575 | 6,605 |
| Loss before taxes | | (3,398) | (3,045) |
| Amortisation and depreciation of property, plant and equipment and intangible assets | | 48 | 9 |
| Impairment losses on non-current, non-financial assets | | 300 | - |
| Impairment losses (reversal of impairment losses) on current and non-current financial assets | | (2) | 3,500 |
| Changes in provisions for pensions, post-employment benefits and stock options | | 136 | 215 |
| Changes in provisions for risks and charges | | (303) | - |
| (Increase) decrease in current receivables | | 1,789 | (52) |
| Decrease in current payables | | (1,127) | (161) |
| Taxes paid during year | | 183 | (71) |
| (B) Total Cash flows from (used in) operating activities | | (2,374) | 395 |
| (Increase) decrease in non-current property, plant and equipment and intangible assets | | (10) | 146 |
| (Increase) decrease in investments | | - | (17) |
| Increase/decrease in other non-current assets/liabilities | | (200) | - |
| Dividends received | | 2 | - |
| (C) Cash flows from (used in) investing activities | | (208) | 129 |
| Decrease in current and non-current loans and borrowings | | (71,981) | (13,529) |
| Decrease in current and non-current loans and receivables | | 71,199 | 6,743 |
| (D) Cash flows used in financing activities | | (782) | (6,786) |
| | | | |
| (E) Change in cash and cash equivalents | (B) + (C) + (D) | (3,364) | (6,262) |

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

***Copper sector***

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

The difficult macroeconomic scenario in recent years drove the sector to focus more on production and distribution activities accompanied by a rigorous control of investment decisions, by a strengthening of operational efficiency and organizational flexibility, and by the diversification of the businesses.

As regards market trends, while economic activity continued to show signs of greater vigour in the United States, in Japan, and in the emerging economies, in Europe, where the Group has a greater presence, the most recent indicators show only an attenuation in the rhythm of the contraction in activity, and, up until now, there are no tangible elements that could portend the start of a significant reversal of trend with respect to the recessionary trend that began halfway through last year.

The domestic demand also remains weak in countries not directly exposed to the stress of government debt, such as Germany.

The prolonged recession in many European economies is continuing to affect the demand for copper and copper-alloy semi-finished products. The difficult macroeconomic scenario in recent years drove the operational units of the sector towards a radical rationalisation activity with the purpose of raising their level of competitiveness, which is necessary both to continue on the path of improving operational results as soon as a more favourable situation is restored in the various reference markets, and to enhance some sectors.

The sector's new 2013-2017 business plan, approved by the Board of Directors' meeting of last 27 March, also confirms the strategic approach that seeks a greater focus on the managed businesses and a drastic reduction in structural costs; the objective is to eliminate non-core activities, too small and not competitive, to reduce complexity by limiting the dimensions and favouring cash generation, identifying solutions, including through agreements or partnerships, for the development of those sectors unable to express an acceptable return on the resources employed.

The agreement reached with the Chinese company Golden Dragon Precise Copper Tube Group Inc., having the purpose of creating a joint venture in the area of connectors, particular types of copper-alloy laminates used for electrical-cable connections, is significant under this latter profile. This agreement calls for the contribution in the business combination, on the part of the KME Group, of a German plant and its know-how in the sector and, on the part of the Chinese entrepreneur, of the financial resources necessary to cover the capital expenditures relative to the construction of a new production facility in the Henan Province. It is expected that the overall assets provided by the two partners in the project may amount to around Euro 150 million. The execution of this operation depends on the issuance of the necessary permits on the part of the central and local authorities of the People's Republic of China as well as the Chinese and European antitrust authorities having jurisdiction.

As regards the market trend in the first half of this year, the demand for **copper and copper-alloy semi-finished products intended for use in the building industry** continued to be characterised by underlying weakness recorded for the entire 2012. The sales volumes of laminates contracted by approximately 15%, with respect to the levels of the first half of last year; they were also affected by the particularly negative weather conditions in Northern Europe in the first quarter; this trend thwarted the positive effect deriving from the increase in value added obtained with an incisive program to promote innovative solutions in the home and home furnishing sector, with proposals ranging from roof and facade coverings to products intended for the renewable energy arena, from domestic comfort to interior design objects.

The evolution in the demand for **copper and copper-alloy semi-finished products serving the industrial sector** has shown some signs of recovery, thug not generalised, compared with the last two quarters of the past year, both for industrial laminates and industrial pipes. The Group continues to offer an extensive and diversified product portfolio with a high level of quality and service,

maintaining a continuous open dialog with users, aimed at providing them with the most appropriate solutions for each specific need.

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

As regards the sector's overall economic performance, the industrial and commercial measures taken are starting to show their positive effects; although the markets are unfavourable, the profitability of the first half of 2013 improved compared with the second half of 2012, aligning with the profitability of the first half of last year, despite a 4.5% drop in sales.

**Key consolidated results of the copper sector**

| *(Millions of Euro)* | *30 Jun. 2013* | *30 Jun. 2012* | |
|---|---|---|---|
| **Revenue** | **1,240.1** | **1,365.6** | |
| **Revenue (not including raw materials)** | **352.4** | **376.2** | |
| **EBITDA** | **37.3** | **31.7** | |
| **EBIT** | **15.6** | **8.3** | |
| ***Profit (loss) before non-recurring items*** | ***7.7*** | ***(4.7)*** | |
| ***Non-recurring income/(expense)*** | ***2.3*** | ***(12.1)*** | |
| ***Effect of IFRS measurement of inventories*** | ***(11.1)*** | ***6.2*** | |
| **Consolidated loss for the period** | **(8.0)** | **(14,1)** | |
| **Net debt** | **168.5 (30 Jun. 2013)** | **242.2** | **(31 Dec. 2012)** |
| **Equity** | **141.9 (30 Jun. 2013)** | **149.5 (*)** | **(31 Dec. 2012)** |

*(*) Equity at 31 December 2012 was adjusted with respect to that presented previously as a consequence of the application of IAS 19 that, abolishing the so-called "corridor method", provided for all the actuarial differences related to pension funds to be accounted for in equity.*

The **Consolidated revenue** for the first half of 2013 amounted to a total of Euro 1,240.1 million, down by 9.2% on 2012, when it was Euro 1,365.6 million. This decrease was influenced by decreased sales volumes (-4.5%) and the lower average prices for raw materials. Net of the latter costs, revenue decreased from Euro 376.2 million to Euro 352.4 million, down by 6.3%.

**EBITDA** (gross operating profit) for the first half of 2013 was Euro 37.3 million; it is greater than that at the end of June 2012 when EBITDA was Euro 31.7 million (+ 17.7%) and considerably higher than those of the second half of last year. Personnel expense dropped 7.7%, therefore by more than the decrease in the sales volumes, confirming the positive effect of the efficiency measures adopted.

The operating income/turnover ratio for the first half of 2013 net of raw material costs increased from 8.4% to 10.6%.

**EBIT** (operating profit) stood at Euro 15.6 million (Euro 8.3 million in 2012).

The **Profit before non-recurring items** was Euro 7.7 million (loss of Euro 4.7 million in 2012).

The **Consolidated loss for the period** in the copper sector was Euro 8.0 million (a loss of Euro 14.1 million in 2012). The effects of the measurement of raw material inventories in accordance with IFRS were a loss of Euro 11.0 million; in the first half of 2012, they had been a profit Euro 6.2 million.

The **Net financial debt** at 30 June 2013 was Euro 168.5 million, improving with respect to the debt at the end of December 2012 when it was Euro 242.2 million.

With regard to the **business outlook**, the signal of improvement in profitability recorded in the first half of 2013, due to productivity streamlining as well as to cost curbing and in any case obtained in an environment still having very weak demand, permit positive forecasts to be made regarding the INTEK Group copper sector's financial performance in the next few months, taking into account the additional efficiency measures adopted and presuming a more favourable market trend.

The sector's **workforce** at 30 June 2013 numbered 5,836 (5,974 at the end of 2012).

The **price of copper**, which is the most widely metal used in the production of the Group semi-finished products, decreased by an average of 6.9% in US$ in the first half of 2013 compared to the same period of the previous year (decreasing from US$ 8,097/ton to US$ 7,540/ton) and by 8% in Euros (from Euro 6,237 to Euro 5,739). In terms of trend, the average prices of copper in the second quarter 2013 recorded a decrease, with respect to those of the first quarter, equal to 9.9% in US$ (from US$ 7,932/ton to US$ 7,148/ton, and a reduction of 8.9% in Euro (from Euro 6,006 to Euro 5,473).

The average price of copper was US$ 6,893/ton in July 2013, corresponding to Euro 5,270/ton.

* * *

***Sector of financial and real estate assets***

This sector includes the activities previously performed by Intek SpA and its subsidiaries. The INTEK Group carries on with the creation of value from these assets and from the investments in operations in the special situations sector where it has developed significant experience in bankruptcy proceedings, especially court-approved arrangements with creditors.

**Private equity**

As already mentioned in the Financial Statements at 31 December 2012, during the first quarter of 2013, the I2 Capital Partners Fund (the "Fund") transferred its equity investment in Franco Vago SpA, active in the transportation and logistics sector for fashion and luxury goods, to a large Japanese multinational company. The transfer, which took place at a price of Euro 43.6 million, gross of selling costs, generated a capital gain of Euro 23.6 million, before taxes, for the Fund. Part of the price, amounting to Euro 5.0 million, was made up of escrow against the agreement guarantees provided. 50% of these amounts are supposed to be released within the month of June 2014 and the remaining 50% at the end of the second year from the transfer date. This large disposal allowed the Fund to execute an allotment over the first quarter of 2013 that led to the collection of approximately Euro 7.0 million for the INTEK Group.

Positive results were attained from the investee Benten Srl that acts as receiver for companies in receivership, in particular relative to companies of the Cecchi Gori Group, which in April 2013 distributed dividends amounting to Euro 0.7 million for 2012, against a profit of Euro 6 million, and from which further positive results are expected.

The other main investments of I2 Capital Partners Fund still in course at 30 June 2013 are as follows:

- Nuova GS Srl – 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;
- Non performing loans (Safim Factor SpA and Safim Leasing SpA, both in liquidation).

With reference to the investment in the Festival Crociere Proceedings, an appeal was presented to impugn the December 2012 ruling issued by Court of Genoa that only partially recognized the requests for revocatory actions in favour of Isno 3. The court's pronouncement concerning the granting of our petition is expected in this upcoming October.

As regards the investment held by the Fund in Alitalia SpA, it should be noted that to deal with financial necessities that arose, on 22 February 2013, Alitalia's Shareholders' Meeting authorized, on proposal by the Board of Directors, the issuing of a shareholders' loan in favour of the Company, with due date in 2015 and up to a maximum of Euro 150 million, which each Shareholder may subscribe in proportion to the shares held. At the end of the first year of the loan (31 December 2013), the Shareholders will have right to convert the portion subscribed into Company shares (convertible). Upon maturity, the shares not yet reimbursed, and/or not previously converted, will automatically be converted into Alitalia shares (compulsory convertible). The Fund subscribed these bonds, with an additional investment of Euro 1.3 million, and also approved, together with other Alitalia shareholders, the awarding of an external advisor mandate for the purpose of carrying out extraordinary transactions therein including the identification of possible buyers of the equity investments held by Italian shareholders of Alitalia. Alitalia's new 2013-2016 business plan, which anticipates the redefinition of the business strategies assigning new and greater emphasis to the most profitable sections of the international and intercontinental routes in addition to a whole series of actions aimed at curbing operating costs, was recently approved. According to this plan, an operating profit should be seen already in 2014, whereas an accounting profit will have to wait until 2016.

From the start of its business to 30 June 2013, the Fund made payment requests for a total of Euro 116.9 million (of which Euro 2.3 million during the first half of 2013) in order to make investments and cover operating costs.

At 30 June 2013, investments had been made for a total of Euro 91.6 million, gross of divestments. On the same date, outstanding investments totalled Euro 24.3 million, almost entirely relating to equity investments. Up until now, the Fund reimbursed the subscribers for shares amounting to a total of Euro 68.6 million.

* * *

**Special situations**

The collections associated with the former Fime business, equal to Euro 0.6 million, continued. An additional Euro 1.1 million was collected in July. A preliminary agreement to sell relative to real property in Cernusco sul Naviglio (MI) again originating from the former Fime business that will allow collections of Euro 1.0 million before the end of 2013 was also signed.

The transaction with a former adviser of FEB – Ernesto Breda SpA (“FEB”), which had indemnified the previous directors with reference to a dispute with said adviser, was signed in the first quarter of 2013. The agreement signed entailed the recognition of Euro 1.4 million against provisions already allocated for Euro 3 million. The extraordinary income deriving from the release of the fund had already been recognised in the 2012 financial statements.

In March 2013, FEB was summoned by SGA – Società per la Gestione di Attività SpA (hereafter “SGA”) regarding the claims it made for conditional receivables which had already been recognised in the procedure ended with the court-approved arrangements with creditors that involved FEB and on which further information is given in the section on disputes.

* * *

**Real estate**

In relation to the real estate sector, in addition to that previously stated regarding the Paris property, subject to agreements for its transfer to the Qualified Accountants Pension Fund, the following items should be noted:

- in January 2013, an important agreement was entered into between the INTEK Group and Palano & Figli and its guarantors, with regards to receivables amounting to Euro 3.5 million claimed by the INTEK Group and guaranteed by property assets. Based on this agreement, the ownership of certain properties located in Sicily may be transferred to the subsidiary I2 Real Estate;
- in January 2013 the transfer of the property complex in Conegliano Veneto was also completed with the closing of all balance-sheet items that remained open at 31 December 2012;
- there were additional sales of the Padua property units and their carrying amount, after the disposals of July 2013, was less than Euro 0.7 million;
- valorisation activities also continued for other properties within the portfolio of the Group's companies.

* * *

**Other activities**

The corporate streamlining activity that led to the actual completion of the Inteservice Srl and Tecsinter Srl liquidation continued. Progetto Ryan 2 Srl (formerly Meccano SpA) is being liquidated.

* * *

***Advanced Services Sector***

In the **Advanced services** sector, the INTEK Group holds an investment in the listed company ***COBRA Automotive Technologies SpA*** ("Cobra"), one of the main European operators that can provide integrated services to manage the risks associated with the possession, ownership and use of vehicles through the use of IT and satellite technology.

Cobra is engaged in a radical reorganization and restructuring of its activities, which started in past years. This process is intended to develop the activity concerning data communication services and security services. For the data communication services, the collaboration with the insurance sector proceeded in 2013, in particular with all the companies of the Generali group with which a framework agreement was signed in June 2013. Collaboration with Porsche AG, which should grow considerably in upcoming years, continued in the automotive compartment.

The rationalization of operating processes of the electronics division, with the goal of focusing on profitability in addition to sales, is underway. This is also related to the renovation of the range of products that will permit additional brackets of the market to be covered further enhancing the electronics segment in view of a possible future sale.

In general, the activities in progress will allow the optimization of resources and the reduction of operating costs to obtain 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.

**Revenue** from ordinary operations for the first half of 2013 was equal to Euro 74.5 million, down 7.5% with respect to the same period of 2012 (Euro 80.5 million) mainly due to the reduction of sales of electronic products not compensated by the non-equivalent growth of volumes with the smart insurance customers.

**EBITDA** for the first half of 2013 was positive, amounting to Euro 8.4 million, equal to 11.2% of the revenue from ordinary operations, with respect to the Euro 5.8 million of the same period of the preceding year (+43.5%), thanks to the focus on high-profitability sales and to the cost-curbing policy. EBITDA also comprises non-recurring expenses attributable to the costs relative to the Group's

extraordinary financial and corporate reorganization transactions. In absence of the above-mentioned expenses, adjusted EBITDA would be equal to Euro 9.1 million (12.3% of revenue).

The **Operating profit** improved by Euro 3.7 million, passing from a loss of Euro 1.6 million in the first half of 2012 to a profit of Euro 2.1 million in the same period of 2013. The improvement is related to the reduction of depreciation and amortization and to the growth of EBITDA for the period.

At 31 December 2012, the Cobra Group also due to the market trends, had not fulfilled the prescribed financial covenants. During July 2013, a moratorium and standstill agreement had been signed with the lending banks up to 30 September 2013. The agreement anticipates the retention of the existing credit lines, both medium-long and short-term, and the moratorium of the payments coming due during the grace period. With regard to the short-term lines, the agreement also anticipates the reduction, beginning on 1 July 2013, of the interest rate to the 3-month Euribor rate + 400 basis points already applied on the medium-term lines.

The purpose of the moratorium and standstill agreement is to allow Cobra to finalize the preparation of the five-year financial and business plan aimed at completing the group re-organization process already in progress and to negotiate and define the appropriate agreements with the lending banks regarding the financial manoeuvre associated with the plan. To favour the agreements with the banks, the shareholder KME Partecipazioni granted an interest bearing loan of Euro 1.5 million to Cobra in July 2013.

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

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With reference to renewable energies, the listed parent **ErgyCapital SpA** ("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 consequently cutting operating costs. The adopted actions, that had begun to show their positive effects in 2011, consolidated themselves in 2012 and 2013.

In terms of business strategy, in the **photovoltaic** sector the company decided to simply valorise projects and to carry on with the streamlining of the operation of the plant already constructed 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 restoring ErgyCapital's profitability and financial stability, a condition necessary to effectively develop any cooperation/combination with other entities so as to boost growth and increase value.

In July 2013, the company, executing the resolutions of the extraordinary shareholders' meetings of 26 June 2012 and of 9 May 2013, initiated the planned share capital increase. The Board of Directors, based on the authority conferred to it by the above -mentioned meetings, had resolved to issue a maximum of 104,323,461 new ordinary shares with no indication of the par value to be offered as an option to its shareholders at a price per share of Euro 0.134, of which Euro 0.110 to be attributed to share premium and Euro 0.024 to share capital.

At the conclusion of the transaction, including the subscription of the non-opted shares, 72,180,603 new ordinary shares were issued, equal to 69.19% of the maximum amount authorized, for a total amount of Euro 9,672,200.80. The subsidiary KME Partecipazioni, based on the subscription commitments assumed, subscribed its relevant portion of the share capital increase, equal to Euro 7.2 million, by offsetting the receivables from ErgyCapital itself. After this, KME Partecipazioni increased its equity investment from 51.37% to the current 61.26%.

During the first half of 2013, the ErgyCapital Group earned **Revenue** amounting to Euro 9.1 million, slightly down with respect to the first half of 2012 (Euro 9.4 million).

Consolidated **EBITDA,** positive amounting to Euro 4.5 million, improved slightly with respect to the first half of 2012 (Euro 4.4 million), based on the following major factors: i) the decrease in the Group's structural costs that dropped more than 30% with respect to the corresponding period of 2012;

ii) the recovery in the Geothermal sector, that recognised production revenue of Euro 1.2 million (Euro 0.9 million in the corresponding period of 2012) and negative EBITDA amounting to -Euro 0.1 million (Euro -0.3 million in the first half of 2012); iii) the consolidation of the Biogas operating sector that shows positive EBITDA amounting to Euro 0.6 million, improved with respect to the earnings in the first half of 2012 (Euro 0.5 million). However a drop in revenue associated with the electric-power generation by photovoltaic plants is noted, with a drop in EBITDA of approximately Euro 0.6 million, due to adverse meteorological conditions in the first half of 2013.

The **Loss for the period** was Euro 0.8 million (a loss of Euro -0.9 million in the first half of 2012) and was affected by the accruals made and impairment losses for Euro 2.6 million.

During 2013, the company engaged in a diligent management of the plants, facilitating cash generation, which is expected to result in a surplus in the second half of the year. This should allow, together with the collections deriving from the share capital increase concluded in July, a substantial reduction of net debt at the end of 2013. In terms of performance, an improvement in profitability with respect to the corresponding period of 2012 is expected.

The **Net financial debt** amounts to Euro 90.6 million, improved by Euro 0.5 million with respect to 31 December 2012.

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

* * *

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

## Group results

*With reference to Group results during the first half of 2013, it is noted that they were influenced by the results of the copper and the financial and real estate assets sectors and that the services and renewable energy sectors are consolidated using the equity method.*

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

* * *

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

* * *

***Alternative performance indicators***

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

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

***Net invested capital***
*Net invested capital is defined as the sum of "Non-current assets" and "Current assets", net of "Current liabilities", excluding the items previously considered in the definition of "Net 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 accounting policies 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 the first half of 2013.*

## Reclassified Consolidated Income Statement

| *(millions of Euro)* | *1st half 2013 IFRS* | | *Reclassifi-cations* | *Adjust-ments* | *1st half 2013 Reclassified* | |
|---|---|---|---|---|---|---|
| Gross revenue | 1,240.10 | 100.0% | | | 1,240.10 | |
| Raw material costs | - | | (887.70) | | (887.70) | |
| Revenue net of raw material costs | - | | | | 352.40 | 100.0% |
| Personnel expense | (155.30) | | 2.90 | | (152.40) | |
| Other consumables and costs | (1,062.80) | | 886.50 | 11.10 | (165.20) | |
| Gross operating profit (EBITDA) | 22.00 | 1.8% | 1.70 | 11.10 | 34.80 | 9.9% |
| Amortisation and depreciation | (22.70) | | 0.20 | | (22.50) | |
| Operating profit (EBIT) | (0.70) | -0.1% | 1.90 | 11.10 | 12.30 | 3.5% |
| Net financial expense | (8.40) | | 0.40 | | (8.00) | |
| Profit (loss) before non-recurring items | (9.10) | -0.7% | 2.30 | 11.10 | 4.30 | 1.2% |
| Non-recurring income/(expense) | - | | (2.30) | | (2.30) | |
| Effect of IFRS measurement of inventories and financial instruments | - | | - | (11.10) | (11.10) | |
| Taxes on IFRS measurement of inventories and financial instruments | - | | - | 3.50 | 3.50 | |
| Current taxes | (9.33) | | - | - | (9.33) | |
| Deferred taxes | 7.53 | | - | (3.50) | 4.03 | |
| Loss for the period (IFRS measurement of inventories) | (10.90) | -0.9% | (0.00) | - | (10.90) | -3.1% |
| Share of loss of equity-accounted investees | (1.00) | | | - | (1.00) | |
| Profit /(loss) from discontinued operations | - | | | - | - | |
| Consolidated loss for the period | (11.90) | -1.0% | (0.00) | - | (11.90) | -3.4% |
| Profit attributable to non-controlling interests | 0.10 | | | | 0.10 | |
| Loss attributable to owners of the parent | (12.00) | -1.0% | (0.00) | - | (12.00) | -3.4% |

The table below briefly shows the consolidated operating profit/(loss) of the group in the first half year of 2013, compared with that of the first half year of 2012.

| Reclassified Consolidated Income Statement | | | | |
|---|---|---|---|---|
| *(millions of Euro)* | *1st half 2013 Reclassified* | | *1st half 2012 Reclassified* | |
| Gross revenue | 1,240.10 | | 1,365.60 | |
| Raw material costs | (887.70) | | (989.40) | |
| Revenue net of raw material costs | 352.40 | 100.0% | 376.20 | 100.0% |
| Personnel expense | (152.40) | | (164.20) | |
| Other consumables and costs | (165.20) | | (181.80) | |
| Gross operating profit (EBITDA) | 34.80 | 9.9% | 30.20 | 8.0% |
| Amortisation and depreciation | (22.50) | | (23.40) | |
| Operating profit (EBIT) | 12.30 | 3.5% | 6.80 | 1.8% |
| Net financial expense | (8.00) | | (11.10) | |
| Profit (loss) before non-recurring items | 4.30 | 1.2% | (4.30) | -1.1% |
| Non-recurring expense | (2.30) | | (12.90) | |
| Effect of IFRS measurement of inventories and financial instruments | (11.10) | | 6.20 | |
| Taxes on IFRS measurement of inventories and financial instruments | 3.50 | | 0.30 | |
| Current taxes | (9.33) | | (3.50) | |
| Deferred taxes | 4.03 | | (0.50) | |
| Loss for the period (IFRS measurement of inventories) | (10.90) | -3.1% | (14.70) | -3.9% |
| Share of profit of equity-accounted investees | (1.00) | | (2.80) | |
| Profit/ (loss) from discontinued operations | - | | - | |
| Loss for the period | (11.90) | -3.4% | (17.50) | -4.7% |
| Profit attributable to non-controlling interests | 0.10 | | 0.30 | |
| Loss attributable to owners of the parent | (12.00) | -3.4% | (17.80) | -4.7% |

The Consolidated Financial Statements closed in the first half year of 2013 with a loss of Euro 12.0 million, after having expensed non-recurring expenses amounting to Euro 2.30 million attributable to the streamlining programs implemented. EBITDA is positive amounting to Euro 34.80 million.

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

| Consolidated equity | | | |
|---|---|---|---|
| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012 Restated* | *31 Dec. 2012 Published* |
| Share capital | 314,225 | 314,225 | 314,225 |
| Reserves | (16,810) | 60,465 | 116,259 |
| Loss) for the period | (12,080) | (78,732) | (78,732) |
| Equity attributable to owners of the parent | 285,335 | 295,958 | 351,752 |
| Equity attributable to non-controlling interests | 6,534 | 6,743 | 6,743 |
| Total equity | 291,869 | 302,701 | 358,495 |

The Group's **financial debt** as at 30 June 2013 was equal to Euro 273.0 million, improved considerably with respect to the figures at the end of 2012 (Euro 339.4 million at the end of 2012).

| Reclassified consolidated net financial debt | | | |
|---|---|---|---|
| *(thousands of Euro)* | | *30 Jun. 2013* | *31 Dec. 2012* |
| Current loans and borrowings | | 138,353 | 114,122 |
| Non-current loans and borrowings | | 314,196 | 341,983 |
| Loans and borrowings due to Group companies | | 4,860 | 927 |
| (A) Loans and borrowings | (A) | 457,409 | 457,032 |
| Cash and cash equivalents | | (99,364) | (65,813) |
| Current loans and receivables | | (94,320) | (70,680) |
| Loans and receivables - Group companies | | (8,767) | (14,135) |
| (B) Cash and current financial assets | (B) | (202,451) | (150,628) |
| Fair value of LME and metals forward contracts | | (35,026) | (20,994) |
| Fair value of other financial instruments | | (512) | 1,526 |
| (C) Financial instruments measured at fair value | (C) | (35,538) | (19,468) |
| | | | |
| (D) Consolidated net financial debt prior to outstanding securities | (A) + (B) + (C) | 219,420 | 286,936 |
| | | | |
| (E) Outsanding debt securities (net of interest) | | 57,356 | 57,066 |
| | | | |
| (F) Consolidated net financial debt | (D) + (E) | 276,776 | 344,002 |
| | | | |
| (G) Non-current financial assets | | (4,177) | (4,585) |
| | | | |
| (H) Total net financial debt | (F) + (G) | 272,599 | 339,417 |

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

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

| Statement of cash flows - indirect method | | | |
|---|---|---|---|
| *(thousands of Euro)* | | *1st half 2013* | *1st half 2012* |
| (A) Cash and cash equivalents at the beginning of the year | | 65,813 | 66,483 |
| Loss before taxes | | (10,186) | (13,752) |
| Amortisation and depreciation of property, plant and equipment and intangible assets | | 23,559 | 23,375 |
| Impairment losses on current assets | | 464 | 1,814 |
| Impairment losses (reversal of impairment losses) on non-current assets other than financial assets | | (1,133) | 1,413 |
| Impairment losses (reversal of impairment losses) on current and non-current financial assets | | (460) | 607 |
| Capital gains on non-current assets | | (388) | (3) |
| Changes in provisions for pensions, post-employment benefits and stock options | | 268 | 172 |
| Changes in provisions for risks and charges | | (9,722) | (4,967) |
| Decrease in inventories | | 36,114 | 21,961 |
| Share of profit of equity-accounted investees | | 961 | 2,750 |
| (Increase) / decrease in current receivables | | (25,488) | 3,303 |
| Increase / (decrease) in current payables | | 67,338 | (45,613) |
| Changes from currency translation | | (954) | (51) |
| (Increase) in LME and currency forward contracts | | (14,048) | (11,331) |
| Taxes paid during year | | (8,781) | (3,509) |
| (B) Total Cash flows from (used in) operating activities | | 57,544 | (23,831) |
| (Increase) in non-current intangible assets and property, plant and equipment | | (7,246) | (18,395) |
| Decrease in non-current intangible assets and property, plant and equipment | | 3,388 | 325 |
| (Increase) in investments | | (1,085) | (1,405) |
| Increase/decrease in other non-current assets/liabilities | | 297 | 1,028 |
| Dividends received | | 2 | 194 |
| (C) Cash flows used in investing activities | | (4,644) | (18,253) |
| (Decrease) in current and non-current loans and borrowings | | (3,812) | (49,167) |
| (Increase)/ decrease in current and non-current loans and receivables | | (15,107) | 99,683 |
| Dividends paid and profit distributed | | (430) | (694) |
| (D) Cash flows from (used in) financing activities | | (19,349) | 49,822 |
| | | | |
| (E) Change in cash and cash equivalents | (B) + (C) + (D) | 33,551 | 7,738 |
| | | | |
| (G) Cash and cash equivalents at the end of the period | (A) | 99,364 | 74,221 |

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

| Net consolidated invested capital | | | |
|---|---|---|---|
| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012 Restated* | *31 Dec. 2012 Published* |
| Net non-current assets | 821,027 | 849,895 | 849,895 |
| Net working capital | 66,062 | 131,971 | 131,971 |
| Provisions | (322,621) | (339,748) | (283,954) |
| Net invested capital | 564,468 | 642,118 | 697,912 |
| Total equity | 291,869 | 302,701 | 358,495 |
| Net financial debt | 272,599 | 339,417 | 339,417 |
| Sources of financing | 564,468 | 642,118 | 697,912 |

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

- *"Net non-current assets" consists of the sum of the items "Property, plant and equipment and 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 q 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".*

## Update in matters of governance

In the Interim Financial Report at 30 June 2012, the company had deemed it expedient to update the information in matters of corporate governance provided in the financial statements as at and for the year ended 31 December 2011.

This decision was related to events that took place during the Shareholders' Meeting of 28 June 2012 that, approving the aforementioned financial statements, had also resolved with regard to the appointment of the Board of Directors and of the Board of Statutory Auditors up until the year ending 31 December 2014.

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

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

- with regard to the Board of Directors, James Macdonald and Franco Spalla were appointed as Directors after the resignation of the Directors and Chief Executive Officers Riccardo Garrè and Italo Romano, who continue to provide their services in the copper sector and are members of the *Vorstand* of KME AG, a wholly-owned subsidiary which controls the industrial group in that sector;
- with regard to the Board of Statutory Auditors, Marco Lombardi was confirmed as Chairman while Alberto Villani was appointed as Statutory Auditor, Andrea Zonca was appointed as Alternate Auditor and Lorenzo Boni resumed the position of Alternate Auditor. It should be mentioned that these changes are all directly associated with the 2012 resignations of the

Chairman of the Board of Statutory Auditors, Riccardo Perotta, and of the alternate auditor Luca Bertoli, of which public disclosure was made in the Corporate Governance Report of the most recent financial statements.

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

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

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

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

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

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

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

It should be noted that on 30 April 2013, the Special Meetings of the "2012/2017 INTEK Group SpA Debt securities" holders and the "2012/2017 INTEK Group SpA Bond" holders were convened to resolve on the appointment of the respective Common Representatives.

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

- Marco Crispo as Common Representative of the "2012/2017 INTEK Group SpA Bond" Holders;
- Rossano Bortolotti as Common Representative of the "2012/2017 INTEK Group SpA Debt securities" Holders.

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

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

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

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

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

## Other information:

***Parent and shareholding structure***

The company is controlled by Quattroduedue Holding BV which is based in Amsterdam (Holland), Kabelweg 37, through Quattroduedue SpA, a wholly-owned subsidiary of the aforementioned Quattroduedue Holding BV. At 30 June 2013, Quattroduedue SpA held 158,067,506 Intek Group ordinary shares, or 45.749% of the company's ordinary share capital.

With reference to the relevant shareholders' agreement pursuant to art. 122 of Italian Legislative Decree no. 58/1998 regarding Quattroduedue Holding BV's entire share capital (the "Agreement") in force among its shareholders, Vincenzo Manes (through Mapa Srl), Ruggero Magnoni (through Likipi Holding SA), and Hanseatic Europe Sarl I (jointly the "Parties to the Agreement") pursuant to articles 128 and 131 of Consob Issuers' Regulation, Quattroduedue Holding BV reported that the Parties to the Agreement had renewed the Agreement, expiring on 30 June 2013, for another three-year period and therefore up until 30 June 2016.

* * *

***Transactions with related parties***

Related party transactions, including 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 at arm's length.

The INTEK Group is the recipient of a loan from the holding company Quattroduedue SpA (originally with Quattroduedue Holding BV). The loan is repaid on the basis of Euribor plus a 100 basis point spread. At 30 June 2013 the balance on this loan was Euro 1.2 million. Quattroduedue guarantees, with 41,500,000 Intek Group shares that it owns, a Euro 4.7 million loan provided to the Intek Group itself.

In the first few days of July 2013, FEB - Ernesto Breda SpA granted Quattroduedue SpA a loan of Euro 3.1 million coming due within 31 December 2013, remunerated based on the Euribor plus a 325 Bps.

At 30 June 2013, there were outstanding loans with ErgyCapital (Euro 10.4 million with KME Partecipazioni, reduced to Euro 3.2 million due to the subscription of its relevant portion of the share capital increase) and Cult Srl (Euro 2.0 million on the part of the Intek Group and Euro 0.9 million on the part of KME Partecipazioni).

***Pending litigation***

Events that took place with respect to that indicated in the financial statements at 31 December 2012 are illustrated below.

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

***As for the parent, the following is pointed out:***

Regarding the legal actions filed by some KME Group's non-controlling shareholders (holders of 494,695 ordinary shares, equal to 0.111% of the share capital on the 9 May 2012 Extraordinary shareholders' meeting) who claim that the KME Group shareholders' meeting failed to pursue the corporate interests, and also claim the perpetration of specific evasive conduct (failure to comply with the regulation regarding the right to withdrawal pursuant to art. 2437 of the Italian Civil Code), the INTEK Group appeared in court requesting the rejection of all the requests since they were inapplicable, inadmissible and, in any case, *de facto* and *de jure* groundless.

The first hearing, initially scheduled for 26 February 2013, was not held because the case was pending assignment to another judge. On 11 April 2013, the case was assigned and the scheduling of the date of the first hearing and discussion is pending.

On the similar lawsuit filed by the same shareholders (holders of 259,858 ordinary Intek shares equal to 0.199% of the share capital on the 9 May 2012 Extraordinary shareholders' meeting) that

claim the failure to pursue the corporate interests, on the part of the Intek meeting, and also claim the perpetration of specific evasive conduct (failure to comply with the regulation regarding the public take-over bid obligation) on the part of Quattroduedue Holding BV, failure to comply with the regulation on the right to withdrawal pursuant to art. 2437 of the Italian Civil Code) the INTEK Group, succeeding in the lawsuit subsequent to the successful merger, appeared in court with a notice of appearance on 21 December 2012, requesting the rejection of all the requests since they were inapplicable, inadmissible and, in any case, *de facto* and *de jure* groundless.

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. The judge rejected the plea that the actions were related with a ruling on 17 May 2013 and scheduled the first hearing and discussion for 25 September 2013.

Currently given the initial stage of the proceedings, it is not possible to make any reliable risk assessment. It is necessary to await the outcome of any preliminary investigation. However, it is noted that the plaintiffs have not quantified the claim for damages, nor have they identified any parameter to make such quantification in both cases.

There is no news from the merged company Intek regarding the disputes.

***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 SAS and KME Italy SpA, and another five producers of LWC pipes, in relation to violations of EU anti-trust rules (penalties were decided in 2003/2004, effective at the end of 2011, and were fully paid in February 2012), in 2011 the concerned companies of the KME Group had filed an appeal for removal from the proceedings and lack of jurisdiction, which was rejected by the English High Court of Justice - Chancery Division. The aforesaid companies had then submitted a request for an appeal to the Court of Appeal; this request was rejected and the KME Group's concerned companies submitted, in October 2012, a request for impugnment to the Supreme Court of the United Kingdom, which this past February had expressed a contrary opinion about the review of the case, with regards to the pleas pertinent to the claimed lack of jurisdiction, leaving the proceedings for the decision on the matter still unresolved.
- In October 2012, IMI plc and IMI Kynoch, on one hand, and Boliden AB ("IMI and Boliden), on the other, gave notice to KME Yorkshire Limited, KME AG, KME Italy SpA, and KME France SAS of a matter called into question in the form of a "contribution claim" in the legal proceedings already initiated by certain companies of the Travis Perkins group against those same IMI and Boliden companies. The proceedings are in progress before the the High Court of Justice – Chancery Division.

On the basis of the information available, the INTEK Group believes that the risk of an unfavourable outcome to the disputes is improbable, and in any case cannot be quantified, and therefore it did not accrue 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 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 arrangement with creditors ordered by the Court of Milan, as well as claiming for interest on arrears. FEB promptly rejected SGA's credit claims, observing that the treatment of the conditional payables was definitively determined in the agreement proposal that was approved without any opposition and legally became obligatory for all the creditors. With the writ of summons notified in March 2013 SGA started proceedings against FEB before the Court of Naples and asked for recognition of its rights as a creditor.

Backed by the opinions supplied by its lawyers, FEB appeared before the Court in July 2013 and strongly contested SGA's claims, in the belief that it acted correctly in its treatment of the conditional receivable being challenged and of the related incidental expenses, for which a specific accounting entry had already been made arising from the procedure recorded during the agreement with creditors for a total amount of Euro 6.0 million.

A settlement agreement was formalised with a former advisor of FEB which in the past had indemnified previous directors in regard to the dispute with the advisor. The agreement provided for the recognition of an amount of Euro 1.4 million to the advisor against provisions already set aside for Euro 3.0 million.

* * *

***Staff***

The INTEK Group company employees at 30 June 2013, including those from the merger of Intek SpA, numbered 12, of which 3 were executives and 9 clerical. There were no changes with respect to 31 December 2012.

With reference to the group, at 30 June 2013 the head count was 5,853 employees whereas it equalled 5,991 employees at 31 December 2012.

The average number, compared with the overall year 2012, was as follows:

| | *2013* | *2012* |
|---|---|---|
| Blue-collar workers | 4,260 | 4,372 |
| Executives and clerical | 1,641 | 1,739 |
| Total | 5,901 | 6,111 |

* * *

***Treasury shares***

At 30 June 2013, the Company held 6,230,691 ordinary treasury shares (equal to 1.80% shares of this type) and 978,543 savings treasury shares (equal to 1.952% of the share capital) all acquired in 2012, subsequent to the withdrawal authorized by the merged company Intek due to amendments of the business purpose.

The Shareholders Meeting, held last 30 April, resolved to authorise the acquisition, for a period of 18 months, and to the disposal of savings and/or ordinary treasury shares.

At 30 June 2013, the wholly-owned subsidiary KME Partecipazioni held 2,512,024 Intek Group savings shares, 5.013% of the relevant share capital.

* * *

***Adaptation to Title VI of the Market Regulation - Consob Resolution no. 16191/2007***

With reference to the provision of articles 36, 37, and 38 of the Regulation in question, it should be noted that:

- With regard to the provisions of art. 36, the INTEK Group does not hold significant investments, pursuant to art. 151 of Consob Issuers' Regulation, in extra-EU countries;
- the Company, although a subsidiary of Quattroduedue Holding BV, considers itself to be not subject to management and coordination activities, as provided for by articles 2497 *et seq.* of the Italian Civil Code as well as art. 37 of the Market Regulation, in so far that:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any centralised treasury arrangements with Quattroduedue Holding BV or with its subsidiary companies;

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

- with regard to the provisions of art. 38, the Company does not fall within the scope of application in so far that its business purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

* * *

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

* * *

***Risk Management***

Refer to the specific paragraph in the Notes to the financial statements for further information on the business risks.

* * *

## Significant events after 30 June 2013

There are no events worthy of mention other than those previously presented, in particular with the signing of the ErgyCapital share capital increase on the part of KME Partecipazioni.

* * *

## Business outlook

Results of operations will be useful to the valuation and disinvestment of the assets in portfolio and for the return on investments in the subscribed funds and in the new initiatives undertaken.

INTEK GROUP

# Condensed Interim Consolidated Financial Statements at 30 June 2013

# Intek Group – Condensed Interim Consolidated Financial Statements at 30 June 2013

## Statement of financial position – Assets

| *(thousands of Euro)* | *Note* | *30 Jun. 2013* | *of which related parties* | *31 Dec. 2012 Restated* | *of which related parties* |
|---|---|---|---|---|---|
| Property, plant and equipment | *4.1* | 546,947 | | 562,751 | |
| Investment property | *4.2* | 74,888 | | 80,104 | |
| Goodwill | *4.3* | 125,801 | | 125,801 | |
| Intangible assets | *4.4* | 2,753 | | 3,545 | |
| Investments in subsidiaries and associates | *4.5* | 14,253 | | 13,810 | |
| Investments in other companies | *4.5* | 270 | *270* | 270 | *270* |
| Equity-accounted investees | *4.5* | 34,902 | *34,902* | 35,221 | *35,221* |
| Other non-current assets | *4.6* | 7,801 | | 8,318 | |
| Non-current financial assets | *4.7* | 17,589 | *175* | 24,711 | |
| Deferred tax assets | *4.22* | 62,782 | | 65,591 | |
| **Total non-current financial assets** | | **887,986** | | **920,122** | |
| Inventories | *4.8* | 534,071 | | 570,993 | |
| Trade receivables | *4.9* | 156,120 | *6,922* | 129,846 | *6,175* |
| Other current receivables and assets | *4.10* | 51,851 | | 50,028 | |
| Current financial assets | *4.11* | 159,467 | *15,962* | 112,876 | *14,133* |
| Cash and cash equivalents | *4.12* | 99,364 | | 65,813 | |
| Non-current assets held for sale | *4.13* | 5,960 | | 4,590 | |
| **Total current assets** | | **1,006,833** | | **934,146** | |
| | | | | | |
| **Total assets** | | **1,894,819** | | **1,854,268** | |

*The notes are an integral part of these condensed interim consolidated financial statements.*

*Please see note 2.1 for restatement of 2012 figures.*

# Intek Group – Condensed interim consolidated financial statements at 30 June 2013

## Statement of financial position – Liabilities

| *(thousands of Euro)* | *Note* | *30 Jun. 2013* | *of which related parties* | *31 Dec. 2012 Restated* | *of which related parties* |
|---|---|---|---|---|---|
| Share capital | | 314,225 | | 314,225 | |
| Reserves | | 129,191 | | 129,110 | |
| Treasury shares | *2.11* | (3,998) | | (3,998) | |
| Retained earnings | | 53,806 | | 72,188 | |
| Compulsory convertible bonds | *2.11* | 24,000 | | 24,000 | |
| Consolidation reserves | *4.14* | (165,049) | | (104,979) | |
| Reserve for other comprehensive income | *4.14* | (54,760) | | (55,856) | |
| Loss for the period | | (12,080) | | (78,732) | |
| **Equity attributable to owners of the Parent** | ***2.11*** | **285,335** | | **295,958** | |
| Non-controlling interests | | 6,534 | | 6,743 | |
| **Total equity** | *2.11* | **291,869** | | **302,701** | |
| Employee benefits | *4.15* | 234,909 | | 235,389 | |
| Deferred tax liabilities | *4.22* | 107,413 | | 117,034 | |
| Non-current loans and borrowings | *4.16* | 371,552 | | 399,050 | |
| Other non-current liabilities | *4.17* | 16,175 | | 17,528 | |
| Provisions for risks and charges | *4.18* | 28,598 | | 31,167 | |
| **Total non-current liabilities** | | **758,647** | | **800,168** | |
| Loans and borrowings | *4.19* | 153,378 | *4,874* | 119,913 | *816* |
| Trade payables | *4.20* | 564,369 | *440* | 503,693 | *339* |
| Other current liabilities | *4.21* | 112,073 | *2,264* | 106,044 | *2,791* |
| Provisions for risks and charges | *4.18* | 14,483 | | 21,749 | |
| **Total current liabilities** | | **844,303** | | **751,399** | |
| **Total liabilities and equity** | | **1,894,819** | | **1,854,268** | |

*The notes are an integral part of these condensed interim consolidated financial statements*

*Please see note 2.1 for restatement of 2012 figures.*

# Intek Group – Condensed interim consolidated financial statements at 30 June 2013

## Statement of profit or loss and other comprehensive income

| *(thousands of Euro)* | *Note* | *1st half 2013* | | *1st half 2012 Restated* | |
|---|---|---|---|---|---|
| | | | *of which related parties* | | *of which related parties* |
| Revenue from sales and services | *5.1* | 1,240,117 | *5,416* | 1,365,562 | *10,105* |
| Changes in finished and semi-finished products | | 3,576 | | (913) | |
| Internal work capitalised | | 647 | | 1,852 | |
| Other operating income | *5.3* | 11,919 | *149* | 6,911 | *53* |
| Purchases and change in raw materials | *5.2* | (931,666) | *(50)* | (1,019,059) | *(21)* |
| Personnel expense | *5.4* | (155,339) | *(148)* | (167,769) | *(227)* |
| Amortisation, depreciation and impairment losses | *5.5* | (22,726) | | (24,788) | |
| Other operating costs | *5.6* | (147,314) | *(1,478)* | (161,737) | *(1,651)* |
| **Operating profit (loss)** | | **(786)** | | **59** | |
| Financial income | *5.7* | 3,727 | *355* | 7,512 | *599* |
| Financial expense | *5.7* | (12,166) | *(16)* | (18,573) | *(301)* |
| Share of losses of equity-accounted investees | *5.8* | (961) | *(961)* | (2,750) | *(2,750)* |
| **Loss before taxes** | | **(10,186)** | | **(13,752)** | |
| Current taxes | *5.9* | (9,332) | | (3,526) | |
| Deferred taxes | *5.9* | 7,526 | | (160) | |
| **Total income taxes** | | **(1,806)** | | **(3,686)** | |
| | | | | | |
| **Loss from continuing operations** | | **(11,992)** | | **(17,438)** | |
| Profit/ (Loss) from discontinued operations | | - | | - | - |
| **Loss for the period** | | **(11,992)** | | **(17,438)** | |
| Other comprehensive income: | | | | | |
| *Employee defined benefit plans* | | (621) | | - | |
| *Tax on other comprehensive income (expense)* | | 328 | | - | |
| Items that cannot be reclassified in profit or loss | | (293) | | - | |
| *Gains on translation of financial statements of foreign operations* | | *758* | | 368 | |
| *Net change in the hedging reserve* | | *976* | | (400) | |
| *Taxes on other comprehensive income* | | *(307)* | | - | |
| Items to be reclassified in profit or loss | | 1,427 | | (32) | |
| Other comprehensive income (expense) | | 1,134 | | (32) | |
| **Total comprehensive expense for the period** | | **(10,858)** | | **(17,470)** | |
| Profit/ (loss) for the period attributable | | | | | |
| - to non-controlling interests | | 88 | | 347 | |
| - to owners of the parent | | (12,080) | | (17,785) | |
| Loss for the period | | (11,992) | | (17,438) | |
| Total comprehensive income/ (expense) attributable to: | | | | | |
| - to non-controlling interests | | 126 | | 104 | |
| - to owners of the parent | | (10,984) | | (17,574) | |
| Total comprehensive expense for the period | | (10,858) | | (17,470) | |

| **Earnings per share (in Euro)** | | |
|---|---|---|
| Basic loss per share | (0,0442) | (0,0468) |
| Diluted loss per share | (0,0442) | (0,0468) |

*The notes are an integral part of these condensed interim consolidated financial statements*

*Please see note 2.1 for restatement of 2012 figures.*

## Statement of changes in equity at 30 June 2012

| *(thousands of Euro)* | *Share capital* | *Other reserves* | *Treasury shares* | *Profit/ (Loss) for previous years* | *Compulsory convertible bonds* | *Consolidation reserves* | *Reserve for other comprehensive income* | *Profit/ (Loss) for the year* | *Equity attributable to owners of the parent* | *Equity attributable to non-controlling interests* | *Total consolidated equity* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 31 December 2011 – Published** | **297,041** | **186,674** | **(2,680)** | **72,188** | **-** | **(107,852)** | **(80)** | **(15,493)** | **429,798** | **6,062** | **435,860** |
| Effect of changes in accounting policies | - | - | - | - | - | - | (21,418) | - | (21,418) | - | (21,418) |
| **Equity at 31 December 2011 - Restated** | **297,041** | **186,674** | **(2,680)** | **72,188** | **-** | **(107,852)** | **(21,498)** | **(15,493)** | **408,380** | **6,062** | **414,442** |
| Allocation of Parent's profit/ (loss) for the period | - | (9,885) | - | - | - | - | - | 9,885 | - | - | - |
| Allocation of subsidiaries' profit/ (loss) for the period | - | - | - | - | - | (5,608) | - | 5,608 | - | - | - |
| Dividends and allocations to the Board of Directors | - | - | - | - | - | - | - | - | - | (694) | (694) |
| Deferred taxes recognised in equity | - | - | - | - | - | - | (11) | - | (11) | - | (11) |
| Expiry of stock options | - | 227 | - | - | - | - | - | - | 227 | - | 227 |
| Other changes | - | - | - | - | - | 266 | - | - | 266 | (13) | 253 |
| *Comprehensive income (expense)* | **-** | **-** | **-** | **-** | **-** | 264 | (400) | - | (136) | 104 | (32) |
| *Profit/ (Loss) for the period* | **-** | **-** | **-** | **-** | **-** | - | - | (17,785) | (17,785) | 347 | (17,438) |
| Total comprehensive income (expense) | - | - | - | - | - | 264 | (400) | (17,785) | (17,921) | 451 | (17,470) |
| **Equity at 30 June 2012** | **297,041** | **177,016** | **(2,680)** | **72,188** | **-** | **(112,930)** | **(21,909)** | **(17,785)** | **390,941** | **5,806** | **396,747** |
| Reclassification of treasury shares | (2,680) | - | 2,680 | - | - | - | - | - | - | - | - |
| **Equity at 30 June 2012** | **294,361** | **177,016** | **-** | **72,188** | **-** | **(112,930)** | **(21,909)** | **(17,785)** | **390,941** | **5,806** | **396,747** |

*At 30 June 2012 the Parent directly held 135,831 savings shares and 7,602,700 ordinary shares without par value. Their historical cost has been fully reclassified, as a reduction of share capital.*

*The notes are an integral part of these condensed interim consolidated financial statements. Please see note 2.1 for restatement of 2012 figures.*

## Intek Group – Condensed interim consolidated financial statements at 30 June 2013

### Statement of changes in equity at 30 June 2013

| *(thousands of Euro)* | *Share capital* | *Other reserves* | *Treasury shares* | *Profit/ (Loss) for previous years* | *Compulsory convertible bonds* | *Consolidation reserves* | *Reserve for other comprehensive income* | *Profit/ (Loss) for the year* | *Equity attributable to owners of the parent* | *Equity attributable to non-controlling interests* | *Total consolidated equity* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 31 December 2012 - Published** | **314,225** | **129,110** | **(3,998)** | **72,188** | **24,000** | **(104,979)** | **(62)** | **(78,732)** | **351,752** | **6,743** | **358,495** |
| Effect of changes in accounting policies | - | - | - | - | - | - | (55,794) | - | (55,794) | - | (55,794) |
| **Equity at 31 December 2012 - Restated** | **314,225** | **129,110** | **(3,998)** | **72,188** | **24,000** | **(104,979)** | **(55,856)** | **(78,732)** | **295,958** | **6,743** | **302,701** |
| Allocation of Parent's profit/ (loss) for the period | - | - | - | (18,382) | - | - | - | 18,382 | - | - | - |
| Allocation of subsidiaries' profit/ (loss) for the period | - | - | - | - | - | (60,350) | - | 60,350 | - | - | - |
| Deferred taxes recognised in equity | - | (67) | - | - | - | - | - | - | (67) | - | (67) |
| Expiry of stock options | - | 148 | - | - | - | - | - | - | 148 | - | 148 |
| Other changes | - | - | - | - | - | 280 | - | - | 280 | (335) | (55) |
| *Comprehensive income* | - | - | - | - | - | - | 1,096 | - | 1,096 | 38 | 1,134 |
| *Loss for the period* | - | - | - | - | - | - | - | (12,080) | (12,080) | 88 | (11,992) |
| Total comprehensive income (expense) | - | - | - | - | - | - | 1,096 | (12,080) | (10,984) | 126 | (10,858) |
| **Equity at 30 June 2013** | **314,225** | **129,191** | **(3,998)** | **53,806** | **24,000** | **(165,049)** | **(54,760)** | **(12,080)** | **285,335** | **6,534** | **291,869** |
| Reclassification of treasury shares | (3,998) | - | 3,998 | - | - | - | - | - | - | - | - |
| **Equity at 30 June 2013** | **310,227** | **129,191** | **-** | **53,806** | **24,000** | **(165,049)** | **(54,760)** | **(12,080)** | **285,335** | **6,534** | **291,869** |

*At 30 June 2013 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.*

*The notes are an integral part of these condensed interim consolidated financial statements. Please see note 2.1 for restatement of 2012 figures.*

## Intek Group – Condensed interim consolidated financial statements at 30 June 2013

### Statement of cash flows - indirect method

| *(thousands of Euro)* | | *1st half 2013* | *1st half 2012* |
|---|---|---|---|
| **(A) Cash and cash equivalents at the beginning of the year** | | **65,813** | **66,483** |
| Loss before taxes | | (10,186) | (13,752) |
| Amortisation and depreciation | | 23,559 | 23,375 |
| Impairment losses on current assets | | 464 | 1,814 |
| Impairment losses (reversal of impairment losses) on non-current assets other than financial assets | | (1,133) | 1,413 |
| Impairment losses (reversal of impairment losses) on current and non-current financial assets | | (460) | 607 |
| Losses/(gains) on non-current assets | | 300 | (3) |
| Changes in provisions for pensions, post-employment benefits and stock options | | (764) | 172 |
| Changes in provisions for risks and charges | | (9,722) | (4,967) |
| Decrease in inventories | | 36,114 | 21,961 |
| Share of profit of equity-accounted investee | | 961 | 2,750 |
| (Increase) / decrease in current receivables | | (24,978) | 3,303 |
| Increase / (decrease) in current payables | | 70,036 | (45,613) |
| Changes from currency translation | | (954) | (51) |
| (Increase) in LME and currency forward contracts | | (14,048) | (11,331) |
| Taxes paid during year | | (8,781) | (3,509) |
| **(B) Cash flows from (used in) operating activities** | | **60,408** | **(23,831)** |
| (Increase) in non-current intangible assets and property, plant and equipment | | (7,590) | (18,395) |
| Decrease in non-current intangible assets and property, plant and equipment | | 250 | 325 |
| (Increase) in investments | | (9) | (1,405) |
| Increase/decrease in other non-current assets/liabilities | | 297 | 1,028 |
| Dividends received | | 2 | 194 |
| **(C) Cash flows used in investing activities** | | **(7,050)** | **(18,253)** |
| Decrease in current and non-current loans and borrowings | | (482) | (49,167) |
| (Increase)/ decrease in current and non-current loans and receivables | | (18,895) | 99,683 |
| Dividends paid and profits distributed | | (430) | (694) |
| **(D) Cash flows from (used in) financing activities** | | **(19,807)** | **49,822** |
| | | | |
| **(E) Change in cash and cash equivalents** | **(B) + (C) + (D)** | **33,551** | **7,738** |
| | | | |
| **(F) Cash and cash equivalents at the end of the period** | **(A) + (E)** | **99,364** | **74,221** |

*The notes are an integral part of these condensed interim consolidated financial statements*

*Positions or transactions with related parties are not separately recorded in the statement of cash flows since their amount is negligible.*

# Intek Group – Condensed interim consolidated financial statements at 30 June 2013

## Notes

### *1. General information*

Intek Group SpA (hereafter also the "Intek Group" or the "Company") heads a diversified group operating in the sector of copper and copper-alloy semi-finished products, in the financial sector with the management of investments and private equity funds, and in the sector of advanced services, including energy from renewable sources, and of the management of the risks associated with the possession, ownership and use of vehicles. The Intek Group aims to manage all the investments with a view to their dynamic value creation focussed on the generation of cash and on their increasing value over time.

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

The Board of Directors approved the condensed interim consolidated financial statements at 30 June 2013 on 2 August 2013 and authorized its publication by means of a press release.

Although it is owned by Quattroduedue Holding BV, through the wholly-owned Quattroduedue SpA, the Parent is not subject to the management and coordination of Quattroduedue pursuant to articles 2497 *et seq.* of the Italian Civil Code and article 37 of the Market Regulations due to the fact that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- the Company does not participate in any centralised treasury arrangements operated by the Parent or another company under Quattroduedue's control;
- the number of independent Directors (5 out of 10) is such as to ensure that their opinions have a material influence on board decisions.

### *2. Accounting policies*

#### *2.1. Basis of presentation*

The condensed interim consolidated financial statements at 30 June 2013 were prepared pursuant to art. 154 ter of Leg. Decree 58/1998 and conform to the International Financial Reporting Standards (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 38/2005, where applicable. In particular the condensed interim consolidated financial statements at 30 June 2013 were prepared pursuant to IAS 34 Interim Financial Reporting and are composed of the consolidated statement of financial position, the Statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as of the respective notes.

In accordance with IAS 34, these notes are reported concisely and do not include all the information required in the annual financial statements, referring solely to those components that, due to the amount, composition, or changes, are essential for the purpose of representing the Group's financial situation and results of operations. These financial statements must therefore be read together with the 2012 consolidated financial statements.

In preparing the interim consolidated financial statements, the Directors have applied the concepts of accruals basis of accounting, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements at 31 December 2012, except for the standards effective as from 1 January 2013.

The detail regarding the new accounting standards, amendments and interpretations that apply to the Group are listed below:

*IAS 1 Presentation of financial statements (Presentation of components of other comprehensive income)* - The objective of the amendments to IAS 1 is to make the presentation of the increasing number of components of other comprehensive income clearer and help users of the financial statements to distinguish the components of other comprehensive income that may or may not be reclassified to profit or loss subsequently.

*IAS 19 Employee Benefits* – The methods for recognising the Defined Benefit Plans have been revised prescribing, among other things, the immediate recognition of all actuarial differences among the components of the statement of comprehensive income, eliminating the so-called corridor method.

*IFRS 7 – Financial Instruments: Disclosure (Offsetting Financial Assets and Financial Liabilities), IAS 32 Financial instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)* - The purpose of the amendments to IFRS 7 is to prescribe additional quantitative information to allow users to better compare and reconcile the information deriving from the application of IFRS and those deriving from the application of the United States of America's *Generally Accepted Accounting Principles* (GAAP). Furthermore, the IASB amended IAS 32 to provide additional guidance to reduce inconsistencies in the practical application of the Standard.

*IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011), IAS 28 Investments in Associates and Joint Ventures (2011)* - The objective of IFRS 10 is to provide a single model for the Consolidated Financial Statements that prescribes Control as the basis for the consolidation of all types of entities. IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Special Purpose Entities. IFRS 11 establishes the accounting reporting standards for entities that are parties to joint arrangements and replaces IAS 31 Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 12 combines, reinforces, and supersedes the disclosure obligations for subsidiaries, joint arrangements, associates, and non-consolidated structured entities. Pursuant to these new IFRS, IASB also issued the amended IAS 27 and the amended IAS 28.

*IFRS 13 Fair Value Measurement* - IFRS 13 provides a single IFRS framework for the fair value measurement and provides complete guidelines on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies whenever another IFRS requires or allows fair value measurements or requires supplementary information regarding fair value measurements.

*IFRS Annual Improvements 2009-2011 Cycle* - Three improvements, in particular the amendment of appendix D of IFRS 1, IAS 16, and IAS 34 are clarifications or corrections regarding the standards in question. The other three improvements, in particular the amendments to IFRS 1, IAS 1, and IAS 32, involve changes of the existing provisions or the formulation of additional guidelines concerning the implementation of these provisions.

The application of the new version of IAS 19, *Employee Benefits*, led to an increase, starting 1 January 2012 and 31 December 2012, of Euro 30.3 million and Euro 78.8 million, respectively, for the item Employee Benefits, and a consequential reduction of equity by Euro 21.4 million and Euro 55.8 million, respectively, net of the correlated tax effect. The impact on the profit (loss) for 2012 and for the first half of 2012 was insignificant. The application of the revised IAS 1 *Presentation of Financial Statements,* although having no effect on the profit (loss) for the year and on equity, entailed the re-presentation of the previous financial year's figures relative to the Income statement for the period and the components of the consolidated other comprehensive income.

The table below summarizes the most significant impacts on the statement of financial position as at 1 January 2012 and 31 December 2012 due to the application of the new version of IAS 19.

| *(thousands of Euro)* | *31 Dec. 12* | | *1 Jan. 2012* | |
|---|---|---|---|---|
| | *Restated* | *Published* | *Restated* | *Published* |
| | | | | |
| Deferred tax assets | 65,591 | 42,567 | 40,408 | 31,491 |
| *Other non-current assets* | 854,531 | 854,531 | 808,660 | 808,660 |
| **Total non-current assets** | **920,122** | **897,098** | **849,068** | **840,151** |
| | | | | |
| **Total current assets** | **934,146** | **934,146** | **1,087,337** | **1,087,337** |
| | | | | |
| **Total assets** | **1,854,268** | **1,831,244** | **1,936,405** | **1,927,488** |
| | | | | |
| **Equity attributable to owners of the Parent** | **295,958** | **351,752** | **409,581** | **430,999** |
| Non-controlling interests | 6,743 | 6,743 | 6,062 | 6,062 |
| **Total equity** | **302,701** | **358,495** | **415,643** | **437,061** |
| Employee benefits | 235,389 | 156,571 | 183,774 | 153,439 |
| *Other non-current liabilities* | 564,779 | 564,779 | 423,250 | 423,250 |
| **Total non-current liabilities** | **800,168** | **721,350** | **607,024** | **576,689** |
| | | | | |
| **Total current liabilities** | **751,399** | **751,399** | **913,738** | **913,738** |
| | | | | |
| **Total liabilities and equity** | **1,854,268** | **1,831,244** | **1,936,405** | **1,927,488** |

The Group has not yet applied the accounting standards which are listed below in paragraph 2.21 and which, although already issued by the IASB, become effective after the date of these condensed interim consolidated financial statements 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 their legal form.

Specific notes contained in the Directors' Report disclose the content and meaning of the alternative performance indicators, where applicable, which, although not required by IFRS, are in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

These financial statements are presented in Euro, the functional currency of the Parent. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

## 2.2. Basis of consolidation

*(a) Subsidiaries*

Subsidiaries are all those companies over which the Intek Group simultaneously has:

- power, i.e. it holds legitimate rights that bestow upon it the actual capacity to manage *relevant activities*, i.e. activities that have a significant effect on returns;
- exposure or the rights to variable returns deriving from the relationship with the company itself;
- capacity to exercise its power.

The assets and liabilities, income and expenses of the subsidiaries consolidated on a line-by-line basis are recognised in the condensed interim consolidated financial statements at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognised as "goodwill and goodwill arising on consolidation" and in the income statement, 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 consolidation. These are generally companies with operations consisting entirely of sales. Excluding such companies has no material effect on the Group’s financial statements and will have no influence on the business decisions of the financial statements’ users.

Unrealised profits on intragroup transactions, if material, are eliminated. Receivables, payables, income, expenses, guarantees, commitments and contingencies in connection with transactions between and among consolidated companies are also eliminated. Intragroup losses are not eliminated as they are deemed to represent an impairment loss on the asset sold. All financial statements of subsidiaries have been adjusted to ensure consistency of accounting policies with those of the Group.

The reporting year of all consolidated subsidiaries is the calendar year.

In the case of the sale or transfer of an investee, the removal from the scope of consolidation is accounted for from the date of effective loss of control.

In the case of the transfer of a subsidiary to a jointly controlled company or an associate, the recognition of the profit or loss from the loss of control is reflected in profit or loss, as provided for by IFRS 10, paragraph 25. In this case:

a) the assets and liabilities of the former subsidiary are eliminated from the consolidated statement of financial position;

b) any interest retained in the former subsidiary is recognised at the corresponding fair value on the date of loss of control and, thereafter, is recognised together with any amount due from or to the *ex* subsidiary in accordance with the relevant IFRS provisions. This fair value becomes the basis for the next posting of the investment.

c) The profits or losses correlated with the loss of control attributable to the former controlling interest are recognised.

The following table lists all subsidiaries consolidated on a line-by-line basis.

| Name | Registered office | Currency | Share / Quota capital | Operations | % ownership | |
|---|---|---|---|---|---|---|
| | | | | | direct | indirect |
| Intek Group SpA | Italy | EUR | 314,225,010 | Holding | Parent | |
| KME AG | Germany | EUR | 142,743,879 | Holding | 100.00% | |
| Bertram's GmbH | Germany | EUR | 300,000 | Services | | 100.00% |
| Cuprum SA | Spain | EUR | 60,910 | Services | | 100.00% |
| Dalian Dashan Chrystallizer Co. Ltd | China | RMB | 40,000,000 | Copper and alloys | | 70.00% |
| Dalian Heavy Industry Machinery Co. Ltd | China | RMB | 20,000,000 | Copper and alloys | | 70.00% |
| Dalian Surface Machinery Ltd | China | RMB | 10,000,000 | Copper and alloys | | 70.00% |
| EM Moulds Srl | Italy | EUR | 115,000 | Commercial | | 100.00% |
| Fricke GmbH | Germany | EUR | 50,000 | Copper and alloys | | 100.00% |
| GreenRecycle Srl | Italy | EUR | 500,000 | Trading of metals | | 100.00% |
| Immobiliare Agricola Limestre Srl | Italy | EUR | 110,000 | Real estate | | 100.00% |
| Kabelmetal Messing Beteiligungsges mbH Berlin | Germany | EUR | 4,514,200 | Real estate | | 100.00% |
| KME Brass France SAS | France | EUR | 7,800,000 | Copper and alloys | | 100.00% |
| KME Brass Germany Gmbh | Germany | EUR | 50,000 | Copper and alloys | | 100.00% |
| KME Brass Italy Srl | Italy | EUR | 15,025,000 | Copper and alloys | | 100.00% |
| KME France SAS | France | EUR | 15,000,000 | Copper and alloys | | 100.00% |
| KME Germany Bet. Gmbh | Germany | EUR | 1,043,035 | Copper and alloys | 100.00% | |
| KME Germany GmbH & Co. KG | Germany | EUR | 180,500,000 | Copper and alloys | | 100.00% |
| KME Ibertubos SA | Spain | EUR | 332,100 | Copper and alloys | | 100.00% |
| KME Italy SpA | Italy | EUR | 103,839,000 | Copper and alloys | | 100.00% |
| KME Moulds Mexico SA de C.V. | Mexico | MXN | 7,642,237 | Commercial | | 100.00% |
| KME Moulds Service Australia Pty Limited | Australia | AUD | 100 | Commercial | | 65.00% |
| KME Recycle Srl | Italy | EUR | 2,000,000 | Financial | | 100.00% |
| KME Srl | Italy | EUR | 115,000 | Services | | 100.00% |
| KME Service Russland Ltd | Russia | RUB | 10,000 | Commercial | | 70.00% |
| KME Spain SA | Spain | EUR | 1,943,980 | Commercial | | 99.86% |
| KME Verwaltungs und Dienst. mit beschr. | Germany | EUR | 10,225,838 | Not operational | | 100.00% |
| KME Yorkshire Ltd | Great Britain | GBP | 10,014,603 | Copper and alloys | | 100.00% |
| Valika SAS | France | EUR | 200,000 | Trading of metals | | 51.00% |
| Yorkshire Copper Tube | Great Britain | GBP | 3,261,000 | Not operational | | 100.00% |
| Yorkshire Copper Tube (Exports) Ltd. | Great Britain | GBP | - | Not operational | | 100.00% |
| KME Partecipazioni SpA | Italy | EUR | 47,900,000 | Holding | 100.00% | |
| FEB - Ernesto Breda SpA | Italy | EUR | 577,671 | Holding | 86.34% | |
| I2 Capital Partners Sgr SpA | Italy | EUR | 1,500,000 | Management of investment funds | 100.00% | |
| I2 Real Estate Srl | Italy | EUR | 110,000 | Real estate | 100.00% | |
| Idra International SA | Luxembourg | EUR | 50,569,400 | Holding | 100.00% | |
| Inteservice Srl in liquidation | Italy | EUR | 90,000 | In liquidation | 100.00% | |
| Malpaso Srl | Italy | EUR | 10,000 | Real estate | 100.00% | |
| Rede Immobiliare Srl | Italy | EUR | 90,000 | Real estate | 49.90% | 50.10% |
| Tecno Servizi Srl | Italy | EUR | 50,000 | Real estate | | 100.00% |
| Tecsinter Srl in liquidation | Italy | EUR | 100,000 | In liquidation | 100.00% | |

No changes in the scope of consolidation took place in the period.

*(b) Associates*

Associates are all those companies over which the Intek Group exercises significant influence but not control. Significant influence is deemed to exist when the Intek Group holds, directly or indirectly through subsidiaries, 20% or more of the voting rights in the investee shareholders' meeting. Investments in associates are consolidated using the equity method.

Using the equity method, the investment is initially recognised at cost and then adjusted to recognise the percentage of post-acquisition profits or losses attributable to the Parent. Dividends received are deducted from the carrying amount of the investment.

At the date of these consolidated financial statements there were no associate companies consolidated through the equity method.

*(c) Joint ventures*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity.

Joint ventures are consolidated using the equity method as envisaged by IFRS 11, paragraph 24. The value determined by the application of the equity method is lower than that from applying impairment testing to the investees themselves.

### 2.3. Foreign currency transactions

***(a) Functional and presentation currency***

As already mentioned, all amounts are expressed in Euro which is also the Parent's functional currency.

***(b) Foreign currency translation***

Financial statements in currencies other than the Euro are translated using the average exchange rates for the period for profit or loss 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 period end:

| | GBP British Pound | RMB Chinese Yuan | MXN Mexican Peso | AUD Australian Dollar | RUB Russian Rouble |
|---|---|---|---|---|---|
| 31 December 2012 | 0.8161 | 8.2207 | 17.1845 | 1.2712 | 40.3295 |
| 30 June 2013 - used for translation of the statement of financial position | 0.8572 | 8.0280 | 17.0413 | 1.4171 | 42.8450 |
| 1st half 2013 average - used for translation of the statement of comprehensive income | 0.8505 | 8.2059 | 16.4958 | 1.2956 | 40.8025 |

The difference between the profit for the period resulting from translation using the average rates for the period and that which results from the translation using the rates at the end of June, is recognised in the consolidation reserves for the portion attributable to 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 investments.

### 2.4. Property, plant and equipment

***Investments in operating assets***

Property, plant and equipment are recognised at purchase or production cost, including direct accessory costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives, is separately accounted for.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, with the exception of land which is not depreciated and is carried at cost net of accumulated impairment losses.

The cost of internally produced assets includes material costs and direct labour plus any other directly attributable costs incurred in bringing the asset to its intended location and preparing it for its intended use.

Ordinary maintenance costs are charged to the year the are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is possible that future measureable economic benefits will arise from them. Borrowing costs relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

Replacement parts of significant value are capitalised and depreciated based on the useful life of the asset to which they refer; low value replacement parts are recognised in profit or loss when the expense is incurred.

Depreciation is accounted for from the month the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is charged monthly on a straight line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Land, whether it is unoccupied or is connected to ancillary and industrial buildings, is not depreciated since it is considered to have an indefinite useful life.

Depreciation is charged based on the following useful lives:

| | |
|---|---|
| Buildings | from 25 to 50 years |
| Plant and equipment | from 10 to 40 years |
| Other equipment | from 5 to 15 years |

***Assets under finance leases***

Assets acquired under finance leases are recognised as property, plant and equipment together with corresponding balancing entry under liabilities. 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 title to the asset will be obtained at the end of the lease.

***Impairment losses***

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of selling price and value in use, and comparison with the net carrying amount. The recoverable amount is the higher of value in use and its fair value less costs to sell. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated analogously.

### *2.5. Intangible assets*

***(a) Goodwill***

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill and other intangible assets with indefinite useful lives are not amortised. Recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Any impairment losses recognised are not subsequently reversed.

### (b) Other intangible assets with finite useful lives

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

Intangible assets are either:

- purchased from third parties;
- acquired through business combinations; or
- internally generated.

In the first two instances, intangible assets, including directly attributable expenses, are initially 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. The residual value of intangible assets at the end of their useful life is assumed to be zero.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "Property, plant and equipment".

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

## 2.6. Investment property

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially 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 non-consolidated subsidiaries are carried at fair value or cost less accumulated impairment losses.

Other investments are recognised at fair value in profit or loss. When fair value cannot be reliably determined, the investments are measured at cost less accumulated impairment losses.

Non-derivative financial assets with fixed or determinable payments and a specific due date, that the Group intends and has the ability to hold until maturity, are designated as "*Held-to-maturity investments*". The assets included in this category are measured at amortised cost using the effective interest method pursuant to IAS 39.

Financial assets and liabilities acquired or held primarily to be sold or repurchased in the short term and derivative financial instruments not designated as hedging instruments are classified as "*Financial assets or liabilities at fair value through profit or loss*" separately indicating those that were classified as such on initial recognition (*fair value option*). This category also includes stakes in mutual funds, LME contracts and all metal forward sales/purchase contracts used to hedge raw material price risk. These assets are measured at fair value through profit or loss.

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not listed on an active market and not included in any of the above categories, are classified as "*Loans and receivables*" and are carried at amortised cost using the effective interest method. The amortised cost of current *loans and receivables* and all short-term trade payables and receivables, for which the time value of money is immaterial, is deemed to correspond to their carrying amount.

All other non-derivative financial assets which are not classified in one of the three categories above are classified as "*Available-for-sale financial instruments*" and measured at fair value with changes recognised directly in equity, with the exception of any impairment losses.

Treasury shares are measured at historical cost and 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 investments in equity-accounted investees, pursuant to IAS 28 paragraph 40 et seq., IAS 39 is applied to determine the need to recognise any further impairment losses relating to the net investment. The entire carrying amount of the investment is however tested for impairment under IAS 36 by comparing its recoverable amount whenever application of IAS 39 indicates a possible impairment of the investment.

All impairment losses are 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 period end. 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 period end.

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 at period end.

The fair value of price fixing sales and purchase contracts is determined with reference to the market price at period end of the contract's metal component compared to the contract price. Fair value also reflects counterparty risk and the time value of money through discounting, when this is significant.

### *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 factoring of receivables by the Group are made as required by IAS 39 for the derecognition of assets, since essentially all risks and rewards have been transferred. Non-recourse factoring of receivables is reported under "Other operating costs". In the event that transactions do not fulfil the requirements of IAS 39, for example receivables factored with recourse, the receivables remain on the face of the Group's statement of financial position even though title has legally passed, and a balancing 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 realisable value. The cost of inventories generally includes costs incurred to bring the inventories to their current place and condition.

The value of metals and production costs are treated differently:

Metal (including the metal content of work in progress and finished goods) is measured at cost on a first-in, first-out basis. If necessary, this value is reduced at the end of the period so that it becomes aligned with its estimated realisable value, which is the official price at the period end recorded on the LME market.

The cost of production of work in progress and finished goods includes incidental expenses plus the amount of indirect costs that can reasonably be allocated to the product, excluding administrative expenses, costs to sell and financial expense. The absorption of general expenses in production costs is based on normal production capacity.

Contract work in progress is measured on the basis of the stage of completion and the contractual consideration price less contractual costs.

Supplies and consumables are measured at weighted average cost.

### 2.10. *Cash and cash equivalents*

Cash and cash equivalents include cash, demand deposits and highly liquid short-term financial investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

### 2.11. *Equity*

Share capital consists of ordinary and savings shares without par value, fully subscribed and paid up at period end, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes, whilst the historical cost of owned treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity operations have been used directly as a reduction of reserves.

The Intek Group 2012-2017 Compulsory Convertible Bonds have been recognised under equity, on the basis of IAS 32, 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 Compulsory 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 Compulsory Convertible Bonds);
- the number of shares which the issuer of the Compulsory Convertible Bonds must assign to the holder of the Compulsory 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 period 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 expense represents the estimated income tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at period end. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not 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 taxable income (or tax 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 period 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 each period end 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 period end. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations enacted during 2007 introduced – as part of the pension reform – significant changes concerning the allocation of the accruing portions 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 schemes 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). On the basis of the generally accepted interpretation of these new rules, the Group decided that:

- post-employment benefits vested at 31 December 2006 but not yet paid at period 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 period, 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 period 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. Revenue from services, such as work performed on behalf of third parties, is recognised on the basis of the stage of completion of such work at period end. The progress is then measured with respect to the amount of work performed.

### *2.17. 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 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”.

### *2.18. Segment reporting*

At an operational level, the Intek Group has three sectors subject to reporting, as detailed below:

- **Copper**: a sector consisting of an industrial grouping which is a leader in the international sphere of global production of copper and copper-alloy semi-finished products;
- **Financial and real estate assets** from Intek;
- **Advanced services** which include:
  - 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 Exchange and is a leader in the sector for anti-theft devices for cars and vehicle safety using IT and satellite technology.

The management monitors the operating results of the three sectors separately in order to define the allocation of resources; the results in each sector are assessed on the basis of the operating profit or loss.

There are no transfers of resources between the three major sectors.

Segment information is provided under paragraph 7 of the notes.

### *2.19. Earnings/(loss) per share*

Basic and diluted earnings/ (loss) per ordinary share are calculated in the following manner:

a) the numerator is equal to profit attributable to the Parent, adjusted by the profit or loss that is to be set aside, for the current period, for outstanding savings shares less any savings treasury shares held directly or through subsidiaries;

b) the denominator of "basic earnings per share" is the weighted average of the outstanding ordinary shares during the period less ordinary treasury shares;

c) the denominator of "diluted earnings per share" is the weighted average of the ordinary shares adjusted by adding the number of any new ordinary shares that could be issued through:

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted.

For this calculation, it was assumed that warrants were converted and stock options exercised at the beginning of the year and that the conversion and exercise did not result in increased income or decreased expenses.

The calculation at 30 June 2013 of the basic earnings per share was done by taking the Group loss for the period of Euro 12.1 million, net of the share due to savings shares, attributable to holders of issued ordinary shares and the weighted average number of ordinary shares which was 314,225,010, taking account of any stock splits and/or reverse-stock splits and any increases/reductions in share capital pursuant to IAS 33 paragraph 64. In addition, the potentially diluting effect arising from the conversion of all the stock options was calculated.

### *2.20. Use of estimates*

The preparation of these consolidated financial statements and notes 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, allowances 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 period end, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

### *2.21. Accounting standards not yet applied*

At 30 June 2013, certain new standards, revisions to standards and interpretations applicable to the Company had not yet become effective and were not used to prepare these financial statements.

The most important included:

*IAS 32 – Financial instruments (Improvement)* – in December 2011, the IASB published amendments to IAS 32 clarifying the criteria to 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.

*Investment company (amendments to IFRS 10, IFRS 12 and IAS 27)* – The IASB published the amendments in October 2012 and will allow investment companies, under certain conditions, to not proceed with the consolidation of investments based on the concept of control. The European Union has still not completed the process of endorsing the document.

*IFRS 9 Financial Instruments* – The standard, issued in 2009 and subsequently amended, represents the first part of a step-by-step process that has the purpose of entirely superseding IAS 39 and introduces new criteria for the classification and measure of the financial assets and liabilities. The standard must be applied retrospectively starting 1 January 2015 and the European Union has still not completed the process of endorsing the document.

*Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)* – The amendments, issued in May 2013 as a consequence of the issuing of IFRS 13, clarify that the disclosure must be limited to the recoverable amount of the asset determined based on the fair value less costs of disposal. The European Union has still not completed the process of endorsing the document.

*IFRIC 21 Levies* – The interpretation, issued in May 2012, deals with the issues associated with the recording of levies and indirect taxes owed to the Government for certain activities. The European Union has still not completed the process of endorsing the document.

### 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 guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information, credit lines in existence, insurance and the factoring of the greatest part of receivables without recourse.

**b) liquidity risk:** 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 current loans and borrowings to be due 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 raw material inventories;

**c) currency risk:** the Group operates internationally and it engages in transactions in a number of currencies and interest rates. The exposure to currency risk arises primarily from the geographical location of the markets on which the Group sells its products. It is Group policy to hedge all of the above risks through derivative financial instruments such as cross currency swaps and forward contracts;

**d) interest rate risk:** interest rate risk, to which the Group is exposed, arises primarily in connection with non-current financial liabilities. Floating rate payables expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value. The Group currently has no IRS (interest rate swaps) on the books which convert floating interest rates into fixed interest rates;

**e) commodity 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 though 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 determinable 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

### 4.1. Property, plant and equipment:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Land | 54,346 | 54,743 | (397) |
| Buildings | 85,593 | 88,809 | (3,216) |
| Plant and equipment | 373,063 | 382,650 | (9,587) |
| Other assets | 26,160 | 27,681 | (1,521) |
| Payments on account and ongoing construction | 7,785 | 8,868 | (1,083) |
| **Property, plant and equipment** | **546,947** | **562,751** | **(15,804)** |

Changes in the period may be summarised as follows:

| *(thousands of Euro)* | *Land* | *Buildings* | *Plant and equipment* | *Other assets* | *Payments on account* | *Total* |
|---|---|---|---|---|---|---|
| Gross amount | 55,005 | 211,376 | 1,085,774 | 101,053 | 8,868 | 1,462,076 |
| Accumulated depreciation | (262) | (122,567) | (703,124) | (73,372) | - | (899,325) |
| **Total at 31 December 2012** | **54,743** | **88,809** | **382,650** | **27,681** | **8,868** | **562,751** |
| | | | | | | |
| **Gross amount at 31 December 2012** | **55,005** | **211,376** | **1,085,774** | **101,053** | **8,868** | **1,462,076** |
| Purchases in the period | - | 99 | 674 | 790 | 5,641 | 7,204 |
| Reclassifications | - | 777 | 5,805 | 142 | (6,724) | - |
| Increase in cost due to translation differences | (115) | (68) | (2,193) | (59) | (1) | (2,436) |
| Disposals (cost) | (3) | (24) | (8,644) | (2,493) | 1 | (11,163) |
| **Gross amount at 30 June 2013** | **54,887** | **212,160** | **1,081,416** | **99,433** | **7,785** | **1,455,681** |
| | | | | | | |
| **Accumulated depreciation at 31 December 2012** | **(262)** | **(122,567)** | **(703,124)** | **(73,372)** | **-** | **(899,325)** |
| Reclassifications | - | (234) | 215 | 19 | - | - |
| Depreciation and impairment losses | (275) | (3,789) | (16,127) | (2,353) | - | (22,544) |
| Increase in depreciation due to translation differences | (4) | (1) | 1,925 | 62 | - | 1,982 |
| Disposals (provision for depreciation) | - | 24 | 8,758 | 2,371 | - | 11,153 |
| **Accumulated depreciation at 30 June 2013** | **(541)** | **(126,567)** | **(708,353)** | **(73,273)** | **-** | **(908,734)** |
| | | | | | | |
| Gross amount | 54,887 | 212,160 | 1,081,416 | 99,433 | 7,785 | 1,455,681 |
| Accumulated depreciation | (541) | (126,567) | (708,353) | (73,273) | - | (908,734) |
| **Total at 30 June 2013** | **54,346** | **85,593** | **373,063** | **26,160** | **7,785** | **546,947** |
| *of which funded through finance leases* | 1,300 | 3,246 | 1,765 | - | - | 6,311 |

Following is the distribution by geographical segment of property, plant and equipment:

| *(millions of Euro)* | *30 Jun. 2013* | | *31 Dec. 12* | |
|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* |
| Germany | 254.3 | 46.5% | 261.3 | 46.4% |
| Italy | 207.3 | 37.9% | 213.7 | 38.0% |
| France | 50.9 | 9.3% | 52.6 | 9.4% |
| United Kingdom | 11.2 | 2.1% | 12.1 | 2.2% |
| Spain | 9.3 | 1.7% | 9.6 | 1.7% |
| China | 11.2 | 2.1% | 10.5 | 1.9% |
| Other | 2.7 | 0.5% | 3.0 | 0.5% |
| **Total** | **546.9** | **100.0%** | **562.8** | **100.0%** |

A portion of the aforementioned assets worth Euro 192.4 million (Euro 198.8 million at the end of the previous year) is used as guarantees of credit lines granted to the Group.

Property, plant and equipment under finance leases include:

- Euro 4.5 million for the Firenze Novoli real estate property, which houses the copper sector headquarters. The lease for this building contains a purchase option exercisable on 30 September 2016;
- Euro 1.8 million for a new furnace installed in the foundry department within the plant of Fornaci di Barga.

Future minimum payments under finance leases at period end and the relevant present value are shown below:

| *(thousands of Euro)* | *within 1 year* | *from 1 to 5 years* | *over 5 years* | *Total* |
|---|---|---|---|---|
| Minimum lease payments | 910 | 5,438 | 598 | 6,946 |
| of which interest | 260 | 533 | 15 | 808 |
| **Present value** | **650** | **4,905** | **583** | **6,138** |

Amounts at 31 December 2012 were as follows:

| *(thousands of Euro)* | *within 1 year* | *from 1 to 5 years* | *over 5 years* | *Total* |
|---|---|---|---|---|
| Minimum lease payments | 853 | 5,456 | 945 | 7,254 |
| of which interest | 270 | 643 | 21 | 934 |
| **Present value** | **583** | **4,813** | **924** | **6,320** |

### *4.2. Investment property*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| **Investment property** | **74,888** | **80,104** | **(5,216)** |

The item consists of investments in land and buildings by Immobiliare Agricola Limestre Srl and KME Italy SpA as well as properties from Intek.

Investment property, which is held in order to generate lease income or to appreciate the invested capital, is recognised at fair value on the basis either of appraisals made by independent external experts with recognised and relevant professional qualifications that are confirmed by the directors or valuations made by technical staff from within the Group.

The change in the item in the period was as follows:

| *(thousands of Euro)* | |
|---|---|
| **Total at 31 December 2012** | **80,104** |
| Increases in the period | 7 |
| Reclassifications | (4,840) |
| Decrease | (83) |
| Fair value adjustments | (300) |
| **Total at 30 June 2013** | **74,888** |

The changes for the period are almost exclusively relative to the reclassification among the "*Non-current assets held for sale*" of the property assets of Paris and Cernusco sul Naviglio for which disposal within the next twelve months is highly probable.

The following amounts were recognised in profit or loss in the first half of 2013:

- rental income of Euro 357 thousand;
- operating costs directly relating to the investment properties of Euro 275 thousand.

### *4.3. Goodwill*

The amount of Euro 125,801 thousand is entirely due to goodwill arising on consolidation in the copper and copper-alloy semi-finished products sector, except for Euro 7,437 thousand relating to operations in the special situations sector formerly managed by Intek.

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| **Goodwill** | **125,801** | **125,801** | **-** |

There were no transactions during the period.

At 30 June 2013, as provided for by IAS 36, certain qualitative and quantitative indicators were monitored to verify whether or not there were grounds to conduct an impairment test at a closer date than that of the ordinary annual impairment test**.** During this test, no internal or external indicators (trigger events) occurred that rendered a new impairment test necessary.

It should be noted that, for the purposes of carrying out the impairment test at 31 December 2012 with the support of an external advisor for the copper and copper alloy semi-finished products sector which coincides with the carrying amount of the subsidiary KME AG - in other words the scope of the consolidated financial statements of KME AG including the related goodwill recognised 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 business 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 at 3%;
- stable copper price (around 6,000 Euro/ton);
- investments of Euro 32 million per annum in 2013-2014 and Euro 45 million in 2015-2017.

For the impairment test at 31 December 2012 the "value in use" was calculated using the discounted cash flow (DCF) method by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate representative of the weighted average cost of capital (WACC) of 8.8%. The

DCF method was applied using as a basis the forecasts and changes in some financial statement items contained in the aforementioned plan.

The terminal value has been calculated using the assumptions that long-term EBITDA is the average 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 2011 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 an additional premium of 2% had been added.

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 losses 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 for impairment was seen, also on the basis of the sensitivity analysis described above.

### *4.4. Intangible assets*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Other | 2,480 | 3,035 | (555) |
| Payments on account | 273 | 510 | (237) |
| **Intangible assets** | **2,753** | **3,545** | **(792)** |

The intangible assets shown above primarily relate to software and have finite useful lives.

Research expenditure is recognised directly in profit or loss. Costs of Euro 0.5 million were recognised in the first half of 2013.

Changes in the first half of 2013 were as follows:

| *(thousands of Euro)* | *Other* | *Payments on account and ongoing development* | *Total* |
|---|---|---|---|
| Gross amount | 14,184 | 510 | 14,694 |
| Accumulated amortisation | (11,149) | - | (11,149) |
| **Total at 31 December 2012** | **3,035** | **510** | **3,545** |
| | | | |
| **Gross amount at 31 December 2012** | **14,184** | **510** | **14,694** |
| Purchases in the period | 25 | 354 | 379 |
| Reclassifications | 436 | (436) | - |
| Change in scope of consolidation (cost) | - | - | - |
| Disposals (cost) | (487) | (155) | (642) |
| Increase in cost due to translation differences | - | - | - |
| **Gross amount at 30 June 2013** | **14,158** | **273** | **14,431** |
| | | | |
| **Accumulated amortisation at 31 December 2012** | **(11,149)** | **-** | **(11,149)** |
| Change in scope of consolidation (provisions) | - | - | - |
| Amortisation and impairment losses | (1,014) | - | (1,014) |
| Increase in amortisation due to translation differences | - | - | - |
| Disposals (provision for amortisation) | 485 | - | 485 |
| **Accumulated amortisation at 30 June 2013** | **(11,678)** | **-** | **(11,678)** |
| | | | |
| Gross amount | 14,158 | 273 | 14,431 |
| Accumulated amortisation | (11,678) | - | (11,678) |
| **Total at 30 June 2013** | **2,480** | **273** | **2,753** |

### *4.5. Investments in subsidiaries, associates and other companies*

The breakdown of the item was as follows:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Investments in subsidiaries and associates | 14,253 | 13,810 | 443 |
| Investments in other companies | 270 | 270 | - |
| Equity-accounted investees | 34,902 | 35,221 | (319) |
| **Investments** | **49,425** | **49,301** | **124** |

The related change was as follows:

| *(thousands of Euro)* | *Investments in subsidiaries and associates* | *Investments in other companies* | *Equity-accounted investees* | *Total* |
|---|---|---|---|---|
| **Total at 31 December 2012** | **13,810** | **270** | **35,221** | **49,301** |
| Increases | 9 | - | - | 9 |
| Translation differences | (24) | - | - | (24) |
| Other movements | - | - | 642 | 642 |
| Reversals of impairment losses/(Impairment losses) | 458 | - | (961) | (503) |
| **Total at 30 June 2013** | **14,253** | **270** | **34,902** | **49,425** |

The Reversals of impairment losses for *"Investments in subsidiaries and associates"* refer to the reversal of the impairment losses on ErgyCapital.

*"Equity-accounted investees"* regard the joint control investments in ErgyCapital Spa and Cobra AT SpA. At the date of these condensed interim consolidated financial statements, the Group owned joint ventures arising from the equity investment in 43,981,424 ordinary shares or 46.37% of the share capital of ErgyCapital SpA. Despite the absence of an equal proportion of voting rights, control of the economic activity and strategic guidelines of this investee is equally shared with the partner Aledia SpA by virtue of contractual agreements that pledge 25,412,895 ordinary shares of ErgyCapital SpA or 26.80% of the share capital held by KME Partecipazioni SpA.

Furthermore, the Group holds, with the same objectives, purposes and short-term perspective, 4,737,543 ordinary shares (5,277,893 at 31 December 2012) or 5.0% of the share capital of ErgyCapital SpA classified, as in previous years, under financial assets held for trading.

In July 2013, the group subscribed its relevant portion in the ErgyCapital SpA share capital increase, equal to Euro 7,181 thousand, through the offsetting of loans and borrowings due from ErgyCapital SpA itself. After this, the overall investment increased from 51.37% to the current amount of 61.26%.

Joint ventures arising from the equity investment also belong to the Group, and are represented by 41,425,750 ordinary shares, equal to 42.68% of the share capital of Cobra A.T. SpA. In addition, the Group holds 8,465,810 ordinary shares, equal to 8.72% of the share capital of Cobra A.T. SpA which are classified under financial assets held for trading since they are held for a short term. In this case the control over the business and the strategic direction of the investee is shared with Cobra A.T. SA by virtue of contractual agreements which contain commitments for the stable regulation of corporate governance and reciprocal dealings as shareholders, under which the Group does not have the power to appoint the majority of the members of the Board of Directors and only has minority voting rights on the Board since two of the five members appointed to it must have the prerequisites for independence pursuant to art. 147-*ter*, TUF (*Testo Unico della Finanza* – Italian Consolidated Finance Act).

The detail of the transactions for the ErgyCapital SpA and Cobra AT SpA investments is shown below:

| *(thousands of Euro)* | *ErgyCapital SpA* | *Cobra A.T. SpA* | *Total* |
|---|---|---|---|
| Other movements | 615 | 27 | 642 |
| Impairment losses | (352) | (609) | (961) |
| **Total at 30 June 2013** | **263** | **(582)** | **(319)** |

The other transactions originated from changes in the investees' equity.

The Group's non-consolidated investments are listed below:

| Name | Registered offices | Operations | % ownership Intek Group | | 30 Jun. 2013 | 31 Dec. 2012 |
|---|---|---|---|---|---|---|
| | | | direct | indirect | (thousands of Euro) | |
| AMT - Advanced Mould Technology India Private Ltd. | India | Commercial | | 99.60% | 1,500 | 1,500 |
| Breda Energia SpA in LCA | Italy | Not operational | | 99.99% | 120 | 119 |
| Bredafin Innovazione SpA in LCA | Italy | Not operational | | 99.99% | 142 | 141 |
| Culti Srl | Italy | Commercial | | 100.00% | 5,361 | 5,361 |
| Europa Metalli Trèfimétaux UK Ltd | Great Britain | Not operational | | 100.00% | 466 | 490 |
| FEB Investimenti Srl | Italy | Not operational | | 100.00% | 10 | 10 |
| Il Post Srl | Italy | Publishing | | 31.54% | 400 | 400 |
| KME - Hungaria Szinesfem Kft | Hungary | Commercial | | 100.00% | 8 | 8 |
| KME (Suisse) SA | Swizerland | Commercial | | 100.00% | 1,000 | 1,000 |
| KME America Inc | USA | Commercial | | 100.00% | 7 | 7 |
| KME Asia Pte Ltd | Singapore | Commercial | | 100.00% | 99 | 99 |
| KME Chile Lda | Chile | Commercial | | 100.00% | 18 | 18 |
| KME Czech Republic | Czec Rep. | Commercial | | 100.00% | 3 | 3 |
| KME Engineering Srl | Italy | Not operational | | 100.00% | 15 | 10 |
| KME India Private Ltd | India | Commercial | | 100.00% | 92 | 92 |
| KME Kalip Servis Sanayi | Turkey | Commercial | | 85.00% | 358 | 358 |
| KME Metal GmbH | Germany | Not operational | | 100.00% | - | - |
| KME Metals (Shanghai) Trading Ltd | China | Commercial | | 100.00% | 81 | 81 |
| KME Polska Sp. Zo.o. | Poland | Commercial | | 100.00% | 64 | 64 |
| KME Solar Italy Srl | Italy | Energy | | 96.00% | - | - |
| Metal Center Danmark A/S | Denmark | Commercial | | 30.00% | 134 | 134 |
| N.V. KME Benelux SA | Belgium | Commercial | | 100.00% | 883 | 883 |
| P.H.M. Pehamet Sp.Zo.o | Poland | Commercial | | 59.79% | 1,220 | 1,218 |
| Progetto Ryan 2 Srl | Italy | In liquidation | 88.00% | 0.00% | 500 | 500 |
| Societe Haillane de Partecipations | France | Not operational | | 99.99% | 40 | 40 |
| *Warrant* ErgyCapital SpA | Italy | Energy | | n.a. | 1,628 | 1,170 |
| Zahner KME GmbH | Germany | Commercial | | 50.00% | 104 | 104 |
| **Investments in subsidiaries and associates** | | | | | **14,253** | **13,810** |
| | | | | | | |
| Editoriale Fiorentina Srl | Italy | Publishing | | 7.13% | 142 | 142 |
| Other KME France SAS investments | France | Miscellaneous | n.a. | n.a. | 116 | 116 |
| Other former Intek SpA investments | Italy | Miscellaneous | n.a. | n.a. | 12 | 12 |
| **Investments in other companies** | | | | | **270** | **270** |
| | | | | | | |
| ErgyCapital SpA | Italy | Energy | | 46.37% | 12,841 | 12,578 |
| Cobra A.T. SpA | Italy | Services | | 42.68% | 22,061 | 22,643 |
| **Equity-accounted investees** | | | | | **34,902** | **35,221** |

"Other KME France SAS investments" include small investments (generally less than 1%) in companies operating in the construction sector. French companies are, in fact, required to pay a certain percentage of the personnel expense as contributions, loans or investments to assist their staff in purchasing real estate.

### *4.6. Other non-current assets*

The breakdown of this item was as follows:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Guarantee deposits | 576 | 754 | (178) |
| Receivables for disposal of investments | 1,000 | 1,000 | - |
| Other receivables | 6,225 | 6,564 | (339) |
| **Other non-current assets** | **7,801** | **8,318** | **(517)** |

"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 receivables from foreign companies' employees.

### *4.7. Non-current financial assets*

This item can be broken down as follows:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Bank deposits pledged as collateral | 3,988 | 4,410 | (422) |
| Closed-end investment funds | 10,363 | 17,075 | (6,712) |
| Receivables due from associates | 175 | 175 | - |
| Other non-current financial assets | 3,063 | 3,051 | 12 |
| **Non-current financial assets** | **17,589** | **24,711** | **(7,122)** |

Bank deposits pledged as collateral include Euro 3,316 thousand relating to a deposit at Unicredit Banca d'Impresa SpA that has been pledged to Unicredit Mediocredito Centrale SpA (MCC). The balance must always be equal to 1/16 (one sixteenth) of the loan outstanding from time to time, in addition to accrued interest due and payable on the next payment date. Any amounts on the account in excess of that amount are immediately 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 "Closed-end investment funds" relate almost entirely to the Intek Group holding (19.1%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. In the first months of 2013, approximately Euro 7.0 million was distributed from this fund.

### *4.8. Inventories*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Raw materials, consumables and supplies | 463,252 | 503,749 | (40,497) |
| Work in progress and semi-finished products | 35,379 | 31,607 | 3,772 |
| Finished goods | 35,440 | 35,637 | (197) |
| **Inventories** | **534,071** | **570,993** | **(36,922)** |

The reduction in the inventories can be associated with the reduction in the raw material prices. At the end of June 2013, 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 29.2 million (Euro 21.3 million in the previous year). An allowance for inventory write-down of this same amount was recognised.

| *(in tons)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| **Property stock** | **87,877** | **85,524** | **2,353** | **2.75%** |

Of the above amount 83.9 thousand tonnes (81.6 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 Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| *Due from customers – gross amount* | *153,159* | *127,500* | *25,659* |
| *Allowance for impairment* | *(15,098)* | *(14,814)* | *(284)* |
| Due from customers – net amount | 138,061 | 112,686 | 25,375 |
| Due from subsidiaries | 4,611 | 4,991 | (380) |
| Due from associates | 2,141 | 1,097 | 1,044 |
| Due from parents | 170 | 87 | 83 |
| Receivables for factoring/leases | 11,137 | 10,985 | 152 |
| **Trade receivables** | **156,120** | **129,846** | **26,274** |

"Receivables due from customers" include Euro 41.8 million (Euro 54.5 million at 31 December 2012) that have been factored with recourse.

A sum of Euro 1.1 million of the receivables due from customers, unchanged with respect to 31 December 2012, is pledged as collateral for the credit lines granted to the Group.

The receivables for leasing and factoring, which arise from the Intek merger, relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring.

The Directors are of the opinion that the carrying amount of trade receivables approximates their fair value.

### *4.10. Other current receivables and assets*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Tax receivables | 18,198 | 19,100 | *(902)* |
| Advance payments to suppliers | 5,664 | 4,196 | *1,468* |
| Receivables from special situations | 6,832 | 6,882 | (50) |
| Prepayments and accrued income | 4,771 | 2,658 | 2,113 |
| Other receivables | 16,386 | 17,192 | (806) |
| **Other current receivables and assets** | **51,851** | **50,028** | **1,823** |

"Other receivables" consist mainly of:

- receivables due from local authorities, essentially referring to the German companies, for refunds relating to energy costs of Euro 7.8 million.
- receivables due from personnel and social security agencies of Euro 2.9 million;
- receivables from insurance companies amounting to Euro 1.4 million.

"Receivables from special situations" mainly include receivables arising from bankruptcy proceedings for Euro 3,332 thousand and receivables guaranteed by properties for Euro 3,500 thousand. Receivables due from bankruptcy proceedings relate to positions in regard to the Finanziaria Ernesto Breda procedure in order to guarantee receivables for its subsidiaries which are in liquidation and which will be collected on the basis of progress in these companies' bankruptcy proceedings. The receivables guaranteed by properties were the subject of a settlement during 2013 with the debtor. Based on this agreement, the ownership of certain property assets located in Sicily may be transferred to the subsidiary I2 Real Estate.

"Tax assets" include, among other things, receivables for direct taxes of Euro 3,979 thousand (of which Euro 2,500 thousand has been requested for refund) and VAT receivables for Euro 2,000 thousand of the Parent. The receivables related to the copper sector are equal to Euro 3,681 thousand. The residual part mainly relates to FEB – Ernesto Breda SpA for receivables accrued during the company's liquidation.

The carrying amount of other receivables is believed to approximate their fair value.

### *4.11. Current financial assets*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Financial assets held for trading | 3,938 | 4,082 | (144) |
| LME and metal purchase/sale contracts | 44,316 | 23,312 | 21,004 |
| Interest rate swaps (IRS) and currency forward contracts | 1,373 | 1,021 | 352 |
| Receivables due from factoring companies | 93,701 | 65,975 | 27,726 |
| Other current financial assets | 177 | 4,353 | (4,176) |
| Receivables due from associates | 15,962 | 14,133 | 1,829 |
| **Current financial assets** | **159,467** | **112,876** | **46,591** |

"Financial assets held for trading" consist of, among other things:

- 4,737,543 ErgyCapital SpA ordinary shares, which are carried at their official price at period end (Euro 0.178 per share);
- 5,621,550 ErgyCapital SpA warrants, which are carried at their official price at period end (Euro 0.032 per warrant);
- 8,465,810 Cobra A.T. SpA ordinary shares, which are carried at their price at period end (Euro 0.280 per share).

"LME and metal purchase/sale contracts" are recognised at the fair value of contracts outstanding at period end.

"Receivables due from factoring companies" of Euro 72.4 million are carried at the amounts of receivables factored without recourse but not yet collected at period end and the revolving amount of the consideration which will be collected upon the due dates of the relative invoices factored for Euro 21.3 million.

In reference to the Consob indications in Communication no. DEM/11070007 of 5 August 2011 which drew on the document issued by the European Securities and Markets Authority (ESMA), it is specified that the Group has no investments in sovereign debt securities.

### *4.12. Cash and cash equivalents*

"Cash and cash equivalents" consist of bank and post office accounts and cash on hand.

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Bank and post office accounts | 96,450 | 63,127 | 33,323 |
| Cash on hand | 2,914 | 2,686 | 228 |
| **Cash and cash equivalents** | **99,364** | **65,813** | **33,551** |

### 4.13. *Non current assets held for sale*

These regard property assets (Padua, Paris and Cernusco sul Naviglio) that are expected to be disposed of within the next twelve months.

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Property held for sale | 5,960 | 4,590 | 1,370 |
| **Non-current assets held for sale** | **5,960** | **4,590** | **1,370** |

### 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).

### 4.15. *Employee benefits*

| *(thousands of Euro)* | *31 Dec. 2012* | *Increase* | *Decrease* | *Translation differences* | *30 Jun. 2013* |
|---|---|---|---|---|---|
| Post-employment benefits | 17,522 | 252 | (698) | - | 17,076 |
| Defined benefit plans | 217,867 | 5,813 | (4,952) | (895) | 217,833 |
| **Employee benefits** | **235,389** | **6,065** | **(5,650)** | **(895)** | **234,909** |

"Defined benefit plans" are recognised net of any plan assets. Euro 187.7 million of defined benefit plans relate to the German subsidiaries and Euro 30.1 million relate to the subsidiary KME Yorkshire Ltd.

The main criteria used in the measurement of **"***Employee Benefits* " are as follows:

| *General Criteria* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Discount rate | 2.4%-4.5% | 2.4%-4.5% |
| Rate of return on plan assets | 6.3% | 6.3% |
| Rate of increase in future salaries | 1% | 1% |
| Future increase in services | 2.0-3.0% | 2.0-3.0% |
| Average remaining working life | 13 years | 13 years |

The effects on profit or loss included under *"Personnel expense"* are as follows:

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* |
|---|---|---|
| Current service cost | 4,240 | 1,772 |
| Interest expense | 699 | 5,419 |
| Past service cost | 332 | (1,670) |
| Effect of any curtailment or settlement | - | - |
| **Cost recognised in profit or loss** | **5,271** | **5,521** |

The analysis of funded and unfunded liabilities is as follows:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Present value of partially or fully-funded obligations | 205,653 | 206,663 |
| Present value of unfunded obligations | 91,708 | 92,364 |
| **Present value of defined benefit obligation** | **297,361** | **299,040** |
| Plan assets | (62,452) | (63,138) |
| **(Surplus) deficit** | **234,909** | **235,902** |

The change of the current value of the obligation and that of the plan assets are analyzed below.

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Opening balance of the obligation | 299,040 | 270,893 |
| Change in scope of consolidation | - | 347 |
| Current service cost | 4,240 | 3,411 |
| Interest on the obligation | 2,001 | 11,128 |
| Plan participants' contribution | - | 462 |
| Adjustments based on experience | 1,776 | - |
| Actuarial losses | 3,285 | 23,080 |
| Expired or reduced liabilities | (42) | 1,594 |
| Translation differences on foreign plans | (4,427) | 1,686 |
| Benefits provided and paid | (8,605) | (13,659) |
| Effect of any curtailment or settlement | 93 | 98 |
| Past service cost | - | - |
| **Current value of the obligation** | **297,361** | **299,040** |

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Opening balance | 63,138 | 56,662 |
| Interest income | 1,302 | 3,406 |
| Actuarial gains | 3,754 | 3,813 |
| Translation differences on non-Euro plan assets | - | 1,276 |
| Employer contributions | (2,975) | 1,445 |
| Plan participants' contribution | 443 | 462 |
| Benefits provided and paid | (3,210) | (3,926) |
| ***Fair value* of the plan assets** | **62,452** | **63,138** |

At 30 June 2013, the plan assets consisted of equity instruments (51.7%), fixed rate securities (40.0%) and property (7.3%).

### *4.16. Non-current loans and borrowings*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Bank loans and borrowings | 308,150 | 331,295 | (23,145) |
| Due to lease companies | 6,024 | 6,409 | (385) |
| Due to others | 23 | 4,280 | (4,257) |
| Intek Group 2012/2017 - Debt securities | 46,691 | 46,472 | 219 |
| Intek Group 2012/2017 bonds | 10,664 | 10,594 | 70 |
| **Non-current loans and borrowings** | **371,552** | **399,050** | **(27,498)** |

The existing loan agreements with banks at the reference date of these condensed interim consolidated financial statements are reported below:

- KME AG, together with its subsidiaries, has an outstanding loan agreement with a banking syndicate (Deutsche Bank AG, Commerzbank Aktiengesellschaft, Unicredit Spa, Banca Nazionale del Lavoro Spa, Mediobanca- Banca di Credito Finanziario SpA, Banca Popolare di Milano Scrl., Intesa Sanpaolo Spa, Banca Monte dei Paschi di Siena SpA) with Deutsche Bank AG as the lead bank, signed on 30 September 2006 and subsequent amendments and integrations;

- a non-recourse factoring agreement that KME AG, together with its subsidiaries, has in course with GE Corporate Finance Bank SaS, signed on 30 September 2006 and subsequent amendments and integrations;
- a loan agreement that KME AG has in course with Unicredit Mediocredito Centrale Spa signed on 22 April 2008 and subsequent amendments and integrations;
- factoring agreements that the subsidiaries KME Italy Spa, KME Brass Italy Srl, KME France SA, and KME Brass France SAS signed on 26 April 2011 with Mediofactoring SpA and subsequent amendments and integrations.

At the end of June 2010, Intek Group SpA 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), closed in 2006 and 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 Debt/Consolidated Equity and the measure thereof is in line with the parameters that the covenants of the extended loans referred to. The changes in the accounting policies adopted are not relevant for the purpose of calculating the value of the covenants. The verification of compliance with the aforementioned covenants shall take place on a half-yearly basis; at 30 June 2013 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 SpA to merge the activities of Intek SpA, besides changing the company name to Intek Group SpA, 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 SpA.

The agreements changed the scope of consolidation and the limit in calculating the Gross Financial Debt/Consolidated equity covenant as from 31 December 2012, thus bringing it more into line with the financial position of the "new" Group.

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 AG subsidiaries: KME Italy SpA and KME Brass Italy Srl;
- a first-level mortgage on the real estate and industrial equipment belonging to the *Osnabrück* plant of KME Germany Gmbh & CO. KG;
- a pledge of the inventories of the industrial companies, except for non-European subsidiaries;
- a lien on some factoring and insurance contracts;
- a pledge on a portion of the receivables of KME Ibertubos SA.

As regards the bank loans associated with the former Intek subsidiaries, the following should be noted:

- the "Rede Immobiliare loan" (Cassa Risparmio Parma e Piacenza) for a total of Euro 4,000 thousand, of which Euro 1,000 thousand expiring in the short term. The established duration is until 27 September 2014 with a final payment of Euro 3,000 thousand. The credit line granted is opened on a current account with a mortgage on the property in Borgo Panigale (BO) at an interest rate of 2.50% over the 3-month Euribor (Euro Interbank Offered Rate) average of the previous month at the start of each quarter, recorded on 1 January, 1 April, 1 July, and 1 October of each year or the first subsequent working day. No financial covenants are envisaged;

- the “Tecno Servizi loan” (Mediocredito Lombardo) which expires on 31 December 2015 and is worth Euro 5,891 thousand in the medium term and Euro 600 thousand in the short term. Quarterly payments are envisaged of Euro 150,000 falling due 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 1,271 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 credit line” (GE Capital): the loan is equal to Euro 11,998 thousand, of which a senior share of Euro 8,272 thousand plus interest and a junior share of Euro 3,000 thousand. The duration is established until 2015 and re-payments are not envisaged until the date of expiry. Interest is calculated solely on the senior share on the basis of 6-month Euribor plus a spread of 2.5%. To guarantee the loan a lien was granted on Malpaso’s investment in Rede Immobiliare. No financial covenants are envisaged.

Payables”Due to lease companies” regard the posting, pursuant to IAS 17, of the finance lease for the Firenze Novoli's property and a plant at the Fornaci di Barga factory.

“Intek Group Debt securities” 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 the KME Group (with the issue of securities). 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 debt securities with a nominal amount of Euro 0.42 were issued and are outstanding. Both categories of securities have a 5-year duration from 2012 to 2017 and are remunerated at a fixed rate of 8%. The initial recognition of the two categories of securities took place at their fair value determined on the basis of their price. In this regard the price considered was that on the date of the latest issue of the securities, which was Euro 95.27 for the debt securities and Euro 93.16 for the bonds. The price recorded on this date was considered more representative than the previous issues which were influenced by the performance of KME Group and Intek shares given the possibility of arbitrage between the two debt and equity instruments and the limited disclosure for the two debt securities.

All non-current loans and borrowings and liabilities have maturities of between twelve months and five years except for Euro 3 million bank loans, 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 Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Due to employees | 15,170 | 16,323 | (1,153) |
| Other payables | 1,005 | 1,205 | (200) |
| **Other non-current liabilities** | **16,175** | **17,528** | **(1,353)** |

"Due to employees" mainly regard payables due to the employees of the German subsidiaries.

"Other payables" relate 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:

| *(thousands of Euro)* | *31 Dec. 2012* | | | *Translation differences* | *Increases* | *Releases/ uses* | *30 Jun. 2013* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Non-current* | *Current* | *Total* | | | | *Non-current* | *Current* | *Total* |
| Provision for restructuring | 5,810 | 8,210 | 14,020 | (105) | 1,414 | (7,552) | 3,504 | 4,273 | 7,777 |
| Provisions for special situations risks | 11,271 | 1,934 | 13,205 | - | - | (1,491) | 11,714 | - | 11,714 |
| Other provisions for risks and charges | 14,086 | 11,605 | 25,691 | (8) | 1,097 | (3,190) | 13,380 | 10,210 | 23,590 |
| **Total at 30 June 2013** | **31,167** | **21,749** | **52,916** | **(113)** | **2,511** | **(12,233)** | **28,598** | **14,483** | **43,081** |

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 had increased by Euro 1.6 million in 2012 as a consequence of the Intek merger, mainly due to the dispute started by Deloro Stellite, arising from the commitments taken over in 1999 by Intek during disposal of Tecknecomp Industrie Riunite SpA in reference to a tax assessment relating to contested higher income for the periods guaranteed by Intek. It is noted that Deloro's appeal, made in agreement with the Intek Group, against the decision of the competent regional tax commission is currently pending before the Court of Cassation.

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 SAS and KME Italy SpA, and another five producers of LWC pipes, in relation to violations of EU anti-trust rules (penalties were decided in 2003/2004, effective at the end of 2011, and were fully paid in February 2012), it should be noted that in 2011 the companies concerned in the KME Group had filed an appeal for removal from the proceedings and for lack of jurisdiction, which was rejected by the English High Court of Justice - Chancery Division. The aforesaid companies therefore filed an appeal to the Court of Appeal; this request was rejected and the KME Group's companies concerned submitted, in October 2012, a request for impugnment to the Supreme Court of the United Kingdom, which this past February had expressed a contrary opinion about the review of the case, with regards to the pleas pertinent to the claimed lack of jurisdiction, leaving the proceedings for the decision on the matter still unresolved.
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- In October 2012 the companies IMI plc and IMI Kynoch, on the one hand, and Boliden AB ("IMI and Boliden"), on the other, gave notice to KME Yorkshire Limited, KME AG, KME Italy Spa and KME France SAS of a matter called into question in the form of a "contribution claim" in the legal proceedings already initiated by certain companies of the Travis Perkins group against those same IMI and Boliden companies. The proceedings are in progress before the High Court of Justice – Chancery Division.

On the basis of the information available, the risk of an unfavourable outcome of the disputes is deemed to be improbable, and in any case it cannot be quantified, and therefore no provision was made 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 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 liquidation procedure. These provisions include an accrual of Euro 6.0 million for ISVEIMER's conditional receivables already recorded in the bankruptcy proceedings that involved Finanziaria Ernesto Breda within the liquidation. With a summons served in March 2013 SGA – Società per la Gestione di Attività Spa ("SGA") which claims to be ISVEIMER's transferee for the above-mentioned receivables, initiated a proceeding against FEB before the Court of Naples requesting the recognition of its rights as creditor. Based on legal advice of its lawyers, FEB appeared in court in July 2013 strongly challenging SGA's claims in the conviction that it acted properly with regards to the management of the conditional receivable in question and the related ancillary matters.

At the publication date of these consolidated financial statements, there were no other significant contingent liabilities.

### *4.19. Current loans and borrowings*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Bank loans and boorrowings | 67,246 | 55,562 | 11,684 |
| Due to subsidiaries | 4,874 | 816 | 4,058 |
| Due to lease companies | 985 | 918 | 67 |
| Due to factoring companies | 49,034 | 41,785 | 7,249 |
| Interest rate swaps (IRS) and currency forward contracts | 9,290 | 2,547 | 6,743 |
| LME and metal purchase/sale contracts | 861 | 2,318 | (1,457) |
| Due to others | 21,088 | 15,967 | 5,121 |
| **Current loans and borrowings** | **153,378** | **119,913** | **33,465** |

"Bank loans and borrowings" also include amounts falling due within twelve months of the long-term loans. In particular, a sum of Euro 10,000 thousand relative to the Parent's loan to GE Capital coming due in September 2013 and in the progress of renegotiation and a sum of Euro 4,667 thousand again to GE Capital relative to the former Quattrotretre loan coming due in June 2014.

The "Due to factoring companies" item relates to the factoring of receivables with recourse at period end.

"LME and metal sales/purchase contracts" are recognised at the fair value of contracts outstanding at period end.

"Due to others" includes amounts due to the Qualified Accountants Pension Fund (Euro 8,018 thousand) and the interest on the debt securities issued (Euro 4,352 thousand).

The net financial debt with the details of its main components pursuant to Consob Communication no. 6064293 and the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" is presented in the "Directors' Report" rather than in these notes.

### 4.20. *Trade payables*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Due to suppliers | 563,929 | 503,354 | 60,575 |
| Due to subsidiaries | 440 | 339 | 101 |
| **Trade payables** | **564,369** | **503,693** | **60,676** |

The carrying amount of trade payables is believed to approximate their fair value.

### 4.21. *Other current liabilities*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Due to employees | 43,471 | 39,932 | 3,539 |
| Due to social security institutions | 9,468 | 10,920 | (1,452) |
| Tax liabilities | 30,595 | 20,797 | 9,798 |
| Accrued expenses and deferred income | 2,465 | 2,754 | (289) |
| Other liabilities | 26,074 | 31,641 | (5,567) |
| **Other current liabilities** | **112,073** | **106,044** | **6,029** |

The payables "Due to employees" include accrued amounts that were unpaid at period end. "Tax liabilities" primarily relate to value added tax liability and direct taxes.

"Other liabilities" include Euro 14.9 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 lease customers from Intek and relate to sums received by way of advance from customers and not offset with credit entries. Payables due to directors of Euro 2,264 thousand including a Euro 2,210 thousand liability for the Chairman's pay at the end of his mandate are also included.

### 4.22. *Deferred tax assets and liabilities*

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Deferred tax assets | 62,782 | 65,591 | (2,809) |
| Deferred tax liabilities | (107,413) | (117,034) | 9,621 |
| | **(44,631)** | **(51,443)** | **6,812** |

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 period end, the Group did not recognise deferred tax assets on tax losses carried forward amounting to Euro 262 million. The detail of the tax losses on which the deferred tax assets were "recognised" and "unrecognized" at 30 June 2013, divided by company, is shown below:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Intek Group SpA | 2,760 | 2,307 |
| Dalian Dashan Heavy Machinery Co. Ltd | 106 | - |
| Greenrecycle Srl | 2,389 | 2,490 |
| I2 Capital Partners SGR SpA | 328 | 153 |
| KME Italy SpA | 12,862 | 16,000 |
| KME Mould Mexico SA de C.V. | 85 | 41 |
| KME Recycle Srl | 87 | - |
| KME Spain SA | 930 | 930 |
| KME Verwaltungs- u. Dienstleistungs-GmbH | 521 | 858 |
| KME Yorkshire Ltd | 12,231 | 11,137 |
| Rede Immobiliare Srl | 1,359 | 1,359 |
| **(a) recognised tax losses carried forward** | **33,658** | **35,275** |
| FEB - Ernesto Breda SpA | 60,817 | 59,317 |
| Greenrecycle Srl | 4,462 | 4,462 |
| Immobiliare Agricola Limestre Srl | 950 | 912 |
| KME AG | 1,524 | - |
| KME France SA | 70,693 | 62,604 |
| KME Germany Bet Gmbh | 1,263 | 859 |
| KME Italy SpA | 55,603 | 51,059 |
| KME Mould Service Australia PTY Ltd | 861 | 865 |
| KME Recycle Srl | 1,683 | 1,688 |
| KME Spain SA | 64,183 | 62,988 |
| **(b) unrecognised tax losses carried forward** | **262,039** | **244,754** |
| | | |
| **Tax losses carried forward (a) + (b)** | **295,697** | **280,029** |

Deferred tax assets and liabilities by financial statements item are shown below:

| *(thousands of Euro)* | *Deferred tax assets* | | *Deferred tax liabilities* | |
|---|---|---|---|---|
| | *30 Jun. 2013* | *31 Dec. 2012* | *30 Jun. 2013* | *31 Dec. 2012* |
| Property, plant and equipment | 865 | 296 | (50,331) | (51,298) |
| Intangible assets | 183 | 39 | - | (156) |
| Investment property | 988 | 1,003 | (230) | (1,119) |
| Other non-current assets | - | - | - | (290) |
| Inventories | 511 | 1,010 | (45,227) | (57,202) |
| Trade receivables | 6,982 | 8,658 | (2,362) | (115) |
| Other current receivables and assets | - | 704 | (104) | (2) |
| Current financial assets | 491 | 432 | (7,671) | (4,437) |
| Employee benefits | 32,323 | 32,778 | - | (624) |
| Non-current financial liabilities | 894 | 934 | (200) | - |
| Other non-current liabilities | 3,380 | 4,163 | (300) | (642) |
| Provisions for risks and charges | 3,277 | 3,573 | - | - |
| Current financial liabilities | 1,806 | 819 | (607) | (248) |
| Trade payables | 448 | 77 | - | - |
| Other current liabilities | 1,452 | 1,822 | (381) | (901) |
| Deferred tax assets on equity items | 154 | 220 | - | - |
| Deferred tax assets on tax losses carried forward | 9,028 | 9,063 | - | - |
| **Total** | **62,782** | **65,591** | **(107,413)** | **(117,034)** |

Deferred tax assets recognised in equity primarily refer to costs associated with the share capital increase and the purchase of treasury shares incurred by the Parent.

### *4.23. Transactions with related parties*

During the period, the Group traded with non-consolidated related parties. The related amounts were insignificant, as shown in the condensed interim consolidated financial statements.

All such transactions, however, were at arm’s length.

The detail of assets and liabilities and of costs and revenues with related parties is shown below:

| *(thousands of Euro)* | *Non-current financial assets* | *Trade receivables* | *Current financial assets* | *Loans and borrowings* | *Trade payables* |
|---|---|---|---|---|---|
| Adv Mould India Lmt | - | 150 | - | - | - |
| Breda Energia SpA in administrative compulsory liquidation | - | 21 | - | (4,011) | - |
| Bredafin innovazione SpA in administrative compulsory liquidation | - | 21 | - | - | - |
| Culti Srl | - | 9 | 2,948 | (14) | (1) |
| Europa Metalli Trèfimétaux UK Ltd | - | - | - | (467) | - |
| ErgyCapital SpA | - | 267 | 10,394 | - | - |
| Evidal Schmoele mbH | - | 42 | - | - | - |
| FEB Investimenti Srl | - | 12 | - | - | - |
| Irish Metal Industries Ltd | - | 20 | (0) | (0) | - |
| KME - Hungaria Szinesfem Kft | - | - | 10 | - | (2) |
| KME Metals (Shanghai) Trading Ltd | - | 118 | - | - | - |
| KME (Suisse) SA | - | - | - | - | (83) |
| KME America Inc | - | 72 | - | (269) | (211) |
| KME Asia Pte Ltd | - | 20 | - | - | - |
| KME Czech Republic | - | - | - | - | (9) |
| KME India Private Ltd. | - | 912 | - | - | (3) |
| KME Kalip Servis Sanayi | - | - | 802 | - | - |
| KME Marine Serv America LLC | - | - | - | - | (11) |
| KME Polska Sp. Zo.o. | - | - | - | - | (40) |
| KME Solar Italy Srl | - | 825 | 2 | - | - |
| Progetto Ryan 2 Srl in liquidation | - | 100 | - | - | - |
| Metalcenter Danmark AS | - | 2,099 | - | - | - |
| New Cocot Srl in liquidazione | 175 | - | - | - | - |
| N.V. KME Benelux SA | - | - | - | - | (80) |
| P.H.M. Pehamet Sp.Zo.o | - | 2,118 | 600 | - | - |
| Quattroduedue Holding BV | - | 8 | - | - | - |
| Quattroduedue SpA | - | - | 1,162 | (57) | - |
| Società Agr. San Vito Biogas Srl | - | 108 | - | - | - |
| Ste Haillane de Participations SA Div. G | - | - | - | (24) | - |
| XT Limited | - | - | - | (33) | - |
| Zahner KME GmbH | - | - | 44 | - | - |
| | **175** | **6,922** | **15,962** | **(4,874)** | **(440)** |

The *"Other liabilities"* indicated as due to related parties in the Statement of Financial Position only refer to sums due to directors.

| *(thousands of Euro)* | *Revenues from sales and services* | *Other operating income* | *Purchases and changes in raw materials* | *Other operating costs* | *Financial income* | *Financial expense* |
|---|---|---|---|---|---|---|
| Breda Energia SpA in administrative compulsory liquidation | - | 18 | - | - | - | (11) |
| Bredafin innovazione SpA in administrative compulsory liquidation | - | 18 | - | - | - | - |
| Culti Srl | - | - | - | - | 36 | - |
| ErgyCapital SpA | - | - | - | - | 169 | - |
| FEB Investimenti Srl | - | 10 | - | - | - | - |
| KME - Hungaria Szinesfem Kft. | - | - | - | (18) | - | - |
| KME (Suisse) SA | - | - | - | (174) | - | - |
| KME America Inc. | - | 45 | (5) | (651) | - | (3) |
| KME Chile Limitada | - | - | (45) | - | - | - |
| KME Czech Republic | - | - | - | (27) | - | - |
| KME India Private Ltd | 437 | - | - | (23) | - | - |
| KME Kalip Servis Sanayi | - | - | - | - | 9 | - |
| KME Marine Serv America LLC | - | - | - | (40) | - | - |
| KME Polska Sp. Zo.o. | - | - | - | (184) | - | - |
| KME Solar Italy Srl | - | - | - | (43) | 1 | - |
| Metalcenter Danmark AS | 3,305 | 12 | - | - | 74 | - |
| N.V. KME Benelux SA | - | - | - | (318) | - | - |
| P.H.M. Pehamet Sp.Zo.o | 1,674 | 38 | - | - | 20 | - |
| Quattroduedue SpA | - | 8 | - | - | 8 | (2) |
| Società Agricola San Vito Biogas Srl | - | - | - | - | 38 | - |
| | **5,416** | **149** | **(50)** | **(1,478)** | **355** | **(16)** |

Personnel expense indicated as due to related parties in the Interim Income Statement and other comprehensive income only refer to stock options.

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 payments* | *Total* |
|---|---|---|---|---|---|---|
| 1st half 2013 | 2,088 | 10 | - | 340 | 148 | 2,586 |
| 1st half 2012 | 2,368 | - | - | 560 | 227 | 3,155 |

#### *4.24. Consolidated statement of cash flows*

The changes in equity were considered on the basis of the date of initial consolidation.

## 5. Income Statement

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any “atypical and/or unusual transactions” during 2013.

### 5.1. Revenue from sales and services

An analysis of revenue by geographical segment is shown below:

| *(millions of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| *Germany* | *292* | *315* | *(23)* | *-7.30%* |
| *Italy* | *211* | *211* | *-* | *0.00%* |
| *France* | *139* | *168* | *(29)* | *-17.26%* |
| *United Kingdom* | *80* | *110* | *(30)* | *-27.27%* |
| *Spain* | *48* | *44* | *4* | *9.09%* |
| *Other European countries* | *293* | *342* | *(49)* | *-14.33%* |
| Total Europe | 1,063 | 1,190 | (127) | -10.67% |
| Rest of the world | 177 | 176 | 1 | 0.57% |
| **Total revenue** | **1,240** | **1,366** | **(126)** | -9.22% |

Revenue, net of raw material costs, as shown in the Directors’ Report decreased by Euro 23.8 million from Euro 376.2 million in the first half of 2012 to Euro 352.4 million in the first half of 2013.

No single customer accounted for more than 10% of Group revenue (IFRS 8, paragraph 34).

### 5.2. Purchases and change in raw materials

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Purchase of raw materials and consumables | (920,798) | (994,299) | 73,501 | -7.39% |
| (Gains)/losses on LME trading | 14,774 | (15,043) | 29,817 | -198.21% |
| Fair value on LME and metal purchase/sale contracts | 14,047 | 11,331 | 2,716 | 23.97% |
| Change in raw materials and consumables | (39,689) | (21,048) | (18,641) | 88.56% |
| **Purchases and change in raw materials** | **(931,666)** | **(1,019,059)** | **87,393** | -8.58% |

### 5.3. Other operating income

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Energy-cost reductions | 2,376 | 2,282 | 94 | 4.12% |
| Insurance compensation | 1,128 | 70 | 1,058 | 1511.43% |
| Lease income | 1,101 | 691 | 410 | 59.33% |
| Gains on sale of non-current assets | 1,088 | 339 | 749 | 220.94% |
| Government grants | 901 | 1,167 | (266) | -22.79% |
| Fund management fees | 771 | - | 771 | n/a |
| Cafeteria | 309 | 331 | (22) | -6.65% |
| Other | 4,245 | 2,031 | 2,214 | 109.01% |
| **Other operating income** | **11,919** | **6,911** | **5,008** | 72.46% |

The *“Fund management fees”* regard the fees and charges collected by I2 Capital Partners SGR for the management of the I2 Capital Partners Fund.

The increase of the rental income is associated with the entry of real-estate companies belonging to Intek in the scope of consolidation.

### *5.4. Personnel expense*

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Wages and salaries | (117,275) | (126,426) | 9,151 | -7.24% |
| Social security charges | (28,996) | (31,183) | 2,187 | -7.01% |
| Cost of stock option | (148) | (227) | 79 | -34.80% |
| Other personnel expense | (8,920) | (9,933) | 1,013 | -10.20% |
| **Personnel expense** | **(155,339)** | **(167,769)** | **12,430** | -7.41% |

The reduction of the personnel expense is related to the reduction of the average number of employees and to the other cost containment policies.

“Other personnel expense” includes provisions for “defined benefit pension plans” and “post-employment benefits” of Euro 5,296 thousand.

Euro 2.9 million of the above personnel expense relating to the cost of decreasing personnel and the access to facilities reducing worked hours (special temporary government-sponsored lay-off scheme, solidarity agreements and similar arrangements) have been reported under “Non-recurring income/(expense)” in the “Reclassified Consolidated Income Statement" shown in the Directors’ Report.

Average number of employees:

| | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Executives and clerical | 1,641 | 1,772 | (131) | -7.39% |
| | 27.81% | 28.69% | | |
| Blue collars and special categories | 4,260 | 4,404 | (144) | -3.27% |
| | 72.19% | 71.31% | | |
| **Total employees (average)** | **5,901** | **6,176** | **(275)** | -4.45% |
| | | | | |
| | 100.00% | 100.00% | | |

During 2010, the “KME Group SpA 2010–2015 Stock Option Plan” (the “Plan”) was activated, in place of the previous one which had been 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’ Meeting is 31,000,000).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of KME Group SpA ordinary shares at the unit price of Euro 0.295:

- 1/3 starting from 10 October 2011;
- 1/3 starting from 8 October 2012;
- 1/3 starting from 8 October 2013.

The final exercise date is 31 December 2015.

The fair value of stock options (Euro 0.73/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 value, 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 grant date; a further third as from the second year after the grant date, and the final third as from the third year after the grant date. The final exercise date 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 30 June 2013 is as follows:

| *No. of options* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| **Options outstanding at 1 January** | **29,000,000** | **25,500,000** |
| New options awarded | - | 3,500,000 |
| **Options outstanding at period end** | **29,000,000** | **29,000,000** |
| *of which exercisable* | *17,000,000* | *17,000,000* |

### *5.5. Amortisation, depreciation and impairment losses*

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Depreciation | (22,544) | (22,867) | 323 | -1.41% |
| Amortisation | (1,014) | (508) | (506) | 99.61% |
| Reversals of prior year impairment losses | 1,185 | 974 | 211 | 21.66% |
| Adjustments to investment property | (300) | - | (300) | n/a |
| Impairment losses | (53) | (2,387) | 2,334 | -97.78% |
| **Amortisation, depreciation and impairment losses** | **(22,726)** | **(24,788)** | **2,062** | -8.32% |

A part of "Depreciation" and " Impairment losses" (Euro 0.2 million) has been reported under "Non-recurring income/ (expense)" in the "Reclassified Income Statement" shown in the Directors' Report.

### *5.6. Other operating costs*

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Energy | (37,560) | (41,132) | 3,572 | -8.68% |
| Maintenance and repairs | (15,197) | (15,227) | 30 | -0.20% |
| Insurance premiums | (6,900) | (7,145) | 245 | -3.43% |
| Lease payments and operating leases | (5,240) | (5,801) | 561 | -9.67% |
| Outsourced production | (14,164) | (14,106) | (58) | 0.41% |
| Sales logistics and transport | (26,178) | (28,110) | 1,932 | -6.87% |
| Commissions | (7,370) | (7,979) | 609 | -7.63% |
| Factoring funding fees | (1,630) | (2,848) | 1,218 | -42.77% |
| Other | (33,075) | (39,389) | 6,314 | -16.03% |
| **Other operating costs** | **(147,314)** | **(161,737)** | **14,423** | -8.92% |

"Factoring funding fees" are the fees on the factoring of trade receivables without recourse.

The item "Other" includes:

- release of provisions for risks and charges, net of accruals for the period, amounting to Euro 3,235 thousand;
- banking services amounting to Euro 2,087 thousand;

- losses on divestments amounting to Euro 823 thousand;
- accruals to allowances for impairment amounting to Euro 464 thousand;
- advertising and other business expenses of Euro 2,325 thousand;
- legal consultancy and administrative costs plus fees for company bodies and independent auditors of Euro 5,734 thousand;
- waste disposal amounting to Euro 2,056 thousand;
- travel and company cafeterias amounting to Euro 2,963 thousand;
- phone and telecommunication costs amounting to Euro 806 thousand;
- external personnel amounting to Euro 2,139 thousand;
- computer consulting amounting to Euro 977 thousand;
- sundry taxes amounting to Euro 4,708 thousand.

### *5.7. Financial income ( expense)*

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| *Interest income* | *613* | *625* | *(12)* | *-1.92%* |
| *Exchange rate gains* | *3,091* | *5,824* | *(2,733)* | *-46.93%* |
| *Dividends* | *2* | *194* | *(192)* | *-98.97%* |
| *Other financial income* | *21* | *869* | *(848)* | *-97.58%* |
| Financial income | 3,727 | 7,512 | (3,785) | -50.39% |
| *Interest expense* | *(8,435)* | *(6,261)* | *(2,174)* | *34.72%* |
| *Exchange rate losses* | *(2,880)* | *(9,245)* | *6,365* | *-68.85%* |
| *Other financial expense* | *(851)* | *(3,067)* | *2,216* | *-72.25%* |
| Financial expense | (12,166) | (18,573) | 6,407 | -34.50% |
| **Net financial expense** | **(8,439)** | **(11,061)** | **2,622** | -23.70% |

The charges relative to the 2012-2017 Intek Group Debt securities and to the 2012-2017 Intek Group Bonds for an overall sum of Euro 2,670 thousand including amortisation due to issue discounts are included under the item "Interest expense".

A part of the "Net financial expense" (Euro 0.4 million) has been reported under "Non-recurring income/ (expense)" in the "Reclassified Income Statement" shown in the Directors' Report.

### *5.8. Share of losses of equity-accounted investees*

The loss Euro 961 thousand regards the pro-quota losses for the period of the following investees:

- ErgyCapital SpA amounting to Euro 352 thousand;
- Cobra A.T. SpA amounting to Euro 609 thousand.

### *5.9. Current and deferred taxes*

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* | *Change* | *Change%* |
|---|---|---|---|---|
| Current taxes | (9,332) | (3,526) | (5,806) | 164.66% |
| Deferred taxes | 7,526 | (160) | 7,686 | -4803.75% |
| **Current and deferred taxes** | **(1,806)** | **(3,686)** | **1,880** | -51.00% |

Since 2007, INTEK Group SpA and most of its Italian subsidiaries elected to apply the "national tax consolidation arrangement", so that IRES (Italian corporate income tax) is computed on a tax base equal to the algebraic sum of the taxable profit/loss of each company participating in the arrangement. Financial relationships, responsibilities and reciprocal obligations are set out in the agreement and terms and conditions regarding the national tax consolidation arrangement by which the Parent and/or subsidiaries with tax losses receive a payment equal to the relevant tax savings realised by the Parent and/or subsidiaries with taxable income.

***Reconciliation of theoretical tax charge and the effective charge:***

| *(thousands of Euro)* | *1st half 2013* | *1st half 2012* |
|---|---|---|
| Profit (loss) before taxes | (10,186) | (13,752) |
| **Theoretical tax charge** *(tax rate used 31.4%)* | **3,198** | **4,318** |
| Reconciliation: | | |
| Use of different tax rates: | (236) | 207 |
| Other effects: | | |
| Non-deductible (expenses) and non-taxable income | 351 | (1,695) |
| Tax losses – Deferred taxes not set aside | (3,810) | (4,386) |
| Use of tax losses | (863) | (215) |
| Current taxes for previous years | 259 | (712) |
| Taxes on profits (losses) of equity-accounted investees | (302) | (864) |
| - Other | (403) | (339) |
| **Taxes recognised in profit or loss** | **(1,806)** | **(3,686)** |

## 6. Other information:

### 6.1. Financial instruments by category

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* | *Change* |
|---|---|---|---|
| Financial assets at fair value though profit or loss | 63,053 | 45,490 | 17,563 |
| Held-to-maturity investments | - | - | - |
| Loans and receivables | 410,941 | 327,002 | 83,939 |
| Available-for-sale financial assets | - | - | - |
| | | | |
| Financial liabilities at fair value though profit or loss | (10,151) | (4,865) | (5,286) |
| Financial liabilities at amortised cost | (1,176,801) | (1,120,566) | (56,235) |
| **Financial instruments by category** | | | |

### 6.2. Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items at 30 June 2013:

| *(thousands of Euro)* | *Total* | *Carried at amortised cost* | *Carried at fair value* | *Outside the scope of IFRS 7* |
|---|---|---|---|---|
| Investments | 49,425 | - | - | 49,425 |
| Other non-current assets | 7,801 | 7,801 | - | - |
| Non-current financial assets | 17,589 | 4,163 | 13,426 | - |
| Trade receivables | 156,120 | 156,120 | - | - |
| Other current receivables and assets | 51,851 | 33,653 | - | 18,198 |
| Current financial assets | 159,467 | 109,840 | 49,627 | - |
| Cash and cash equivalents | 99,364 | 99,364 | - | - |
| **Total financial assets** | **541,617** | **410,941** | **63,053** | **67,623** |
| Non-current financial liabilities | (371,552) | (371,552) | - | - |
| Other non-current liabilities | (16,175) | (16,175) | - | - |
| Current loans and borrowings | (153,378) | (143,227) | (10,151) | - |
| Trade payables | (564,369) | (564,369) | - | - |
| Other current liabilities | (112,073) | (81,478) | - | (30,595) |
| **Total financial liabilities** | **(1,217,547)** | **(1,176,801)** | **(10,151)** | **(30,595)** |

### 6.3. Notional amount of financial instruments and derivatives

The following table shows a summary of the notional amount and expiry of derivative financial instruments outstanding at period end:

| *(thousands of Euro)* | *Expiry* | | | *Total* | *Total* |
|---|---|---|---|---|---|
| | *within 1 year* | *from 1 to 5 years* | *Over 5 years* | *30 Jun. 2013* | *31 Dec. 2012* |
| LME and metal purchase/sale contracts | 696,495 | 46 | - | 696,541 | 704,420 |
| Foreign exchange forward contracts | 279,490 | - | - | 279,490 | 268,103 |
| *Cross-currency swaps* | - | - | - | - | - |
| Interest rate swaps (IRS) | - | - | - | - | - |
| **Notional amount** | **975,985** | **46** | **-** | **976,031** | **972,523** |

The net change of the fair value recognised through profit or loss for LME transaction and metal purchase/sale contracts was positive by Euro 14.0 million (positive by Euro 11.7 million in the first half of 2012).

The notional amount of “LME commodity contracts and metal sales/purchase contracts” is the aggregate of sales and purchases.

### 6.4. *Exposure to credit risk and impairment losses*

The carrying amount of financial assets is the Group’s maximum exposure to credit risk.

The ageing of trade receivables from current transactions due from non-Group companies at the date of presentation of these consolidated financial statements was as follows:

| *(thousands of Euro)* | *Gross carrying amount* | *Impairment losses at 30 Jun. 2013* | *Carrying amount* |
|---|---|---|---|
| Not yet due | 95,794 | (53) | 95,741 |
| Up to 60 days past due | 24,441 | (124) | 24,317 |
| 61 to 120 days past due | 5,708 | (117) | 5,591 |
| 121 days to 1 year past due | 8,859 | (891) | 7,968 |
| over 1 year past due | 18,357 | (13,913) | 4,444 |
| **Trade receivables** | **153,159** | **(15,098)** | **138,061** |

Changes in the allowance for impairment during the year are shown below:

| *(thousands of Euro)* | |
|---|---|
| **Balance at 31 December 2012** | **14,794** |
| Translation differences | 37 |
| Impairment losses of the year | 410 |
| Uses | (91) |
| Releases | (123) |
| Reclassifications | 71 |
| **Balance at 30 June 2013** | **15,098** |

### 6.5. *Currency exposure*

The following table shows the Group's exposure to currency risk by notional amount for the relevant currency:

| *30 Jun. 2013* | *USD* | *GBP* | *CHF* | *SEK* | *EUR* |
|---|---|---|---|---|---|
| Trade receivables | 14,812 | 700 | 393 | 3,899 | 468 |
| Other current receivables and assets | - | - | 1 | - | 48 |
| Current financial assets | 13,869 | 2,922 | 3,440 | 5,138 | 236 |
| Cash and cash equivalents | 5,306 | 1,698 | 3,389 | 9,210 | 346 |
| Financial liabilities | 3,588 | 536 | 29 | - | - |
| Trade payables | 109,039 | 292 | 43 | 3,267 | 48 |
| Other current liabilities | 21 | 107 | 1 | 6,433 | - |
| **Gross exposure in the statement of financial position** | **(78,661)** | **4,385** | **7,150** | **8,547** | **1,050** |
| Projected sales | 41,473 | 12,187 | 1,576 | 33,645 | 361 |
| Projected purchases | 37,492 | 519 | 278 | - | 1,365 |
| **Gross exposure** | **(74,680)** | **16,053** | **8,448** | **42,192** | **46** |
| Currency forward contracts | (51,620) | 16,635 | 4,719 | 47,856 | (7,237) |
| **Net exposure** | **(23,060)** | **(582)** | **3,729** | **(5,664)** | **7,283** |

The "EUR" column expresses the currency risk of foreign subsidiaries that did not have the Euro as their functional currency.

Currency risk exposure for the previous financial year:

| *31 Dec. 2012* | *USD* | *GBP* | *CHF* | *SEK* | *EUR* |
|---|---|---|---|---|---|
| Trade receivables | 10,984 | 1,030 | (4) | 406 | 7 |
| Other current receivables and assets | 29 | - | 1 | - | - |
| Current financial assets | 9,052 | 964 | 1,395 | 5,327 | 313 |
| Cash and cash equivalents | 3,013 | 2,522 | 704 | 18,419 | 74 |
| Financial liabilities | 707 | 337 | 72 | - | 381 |
| Trade payables | 185,581 | 262 | 32 | 2,970 | 48 |
| Other current liabilities | - | 41 | 8 | 9,032 | - |
| **Gross exposure in the statement of financial position** | **(163,210)** | **3,876** | **1,984** | **12,150** | **(35)** |
| Projected sales | 28,781 | 12,305 | 1,712 | 33,354 | 380 |
| Projected purchases | 26,074 | 178 | 279 | - | 776 |
| **Gross exposure** | **(160,503)** | **16,003** | **3,417** | **45,504** | **(431)** |
| Currency forward contracts | (157,350) | 14,603 | 3,629 | 54,799 | (13,553) |
| **Net exposure** | **(3,153)** | **1,400** | **(212)** | **(9,295)** | **13,122** |

### 6.6. *Sensitivity analysis*

A 10% appreciation (depreciation) of the Euro against the currencies in the above table would have caused an increase (decrease), at 30 June 2013, in equity and an improvement (deterioration) of the net results for the period of Euro 5.5 million. The analysis was made assuming that all other variables remained constant, in particular interest rates. The same analysis for 31 December 2012 would have increased (decreased) results and equity by Euro 1.4 million.

### 6.7. *Interest rate risk*

The Group's interest rate structure of interest-bearing financial instruments at 30 June 2013 was as follows:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---|---|
| Financial assets | 1,673 | 7,670 |
| Financial liabilities | (81,184) | (74,123) |
| **Fixed rate instruments** | **(79,511)** | **(66,453)** |
| | | |
| Financial assets | 80,108 | 70,430 |
| Financial liabilities | (380,270) | (421,623) |
| **Floating rate instruments** | **(300,162)** | **(351,193)** |

### 6.8. *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 period end would not have had an effect on profit or loss.

The Group uses LME contracts (commodities forward contracts traded on the London Metal Exchange) to hedge against fluctuations in the raw materials prices, particularly copper. These instruments are measured at fair value through profit or loss. A Euro 100 per tonne increase in the price of copper at period end would have resulted in a decrease in equity and a deterioration of results for the year of Euro 6.2 million. The same effect on financial statements figures at 31 December 2012 would have had a negative impact of Euro 5.9 million.

### 6.9. *Sensitivity analysis of the cash flows of floating rate financial instruments*

A 50 basis points (bps) increase (or decrease) of interest rate at period end for these consolidated financial statements would have produced a decrease (increase) in equity and results of approximately Euro 0.75 million (Euro 1.6 million in the first half of 2012). The analysis was carried out assuming that the other variables, in particular exchange rates, remained constant and was carried out using the same assumptions for 2012.

### 6.10. *Exposure to liquidity risk*

Liquidity risk can arise from the inability to raise working capital 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.

### 6.11. *Fair value and carrying amount*

Pursuant to IFRS 7 paragraph 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.

### 6.12. *Fair value hierarchy*

IFRS 7, paragraph 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, except for the I2 Capital Partners fund.

### *6.13. Other financial obligations*

Below is a summary showing the minimum irrevocable payment obligations under operating leases at period end:

| *(thousands of Euro)* | *30 Jun. 2013* | *31 Dec. 2012* |
|---|---:|---:|
| within 1 year | 4,833 | 5,753 |
| from 1 to 5 years | 6,515 | 8,156 |
| due after 5 years | 102 | 99 |
| **Minimum irrevocable payments** | **11,450** | **14,008** |

Purchase commitments relating to property, plant and equipment at period end amounted to Euro 6.5 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 segmentsctors requiring disclosure, as detailed below:

- Copper products: a sector consisting of an industrial grouping which is a leader in the international global production of copper and copper-alloy semi-finished products;
- Finance: mainly includes the businesses from Intek and, therefore, private equity, special situations and real estate;
- Advanced services: mainly includes the businesses linked to 1) integrated services for the management of the risks associated with the possession, ownership and use of vehicles, using IT and satellite technology 2) renewable energy.

| *(thousands of Euro)* | *Copper* | *Finance* | *Advanced services* | *Holding* | *Group and miscella-neous* | *Total* |
|---|---|---|---|---|---|---|
| External revenue | 1,240,117 | - | - | - | - | 1,240,117 |
| Internal revenue | - | - | - | 64 | (64) | - |
| **Total sector revenue** | **1,240,117** | **-** | **-** | **64** | **(64)** | **1,240,117** |
| | | | | | | |
| Other operating income - external | 9,965 | 1,551 | - | 403 | - | 11,919 |
| Other operating income - internal | 18 | 235 | - | 115 | - | 368 |
| **Total other sector income** | **9,983** | **1,786** | **-** | **518** | **-** | **12,287** |
| | | | | | | |
| **Segment loss before taxes** | **(5,632)** | **(891)** | **(503)** | **(3,160)** | **-** | **(10,186)** |
| | | | | | | |
| **Total Segment assets** | **1,703,850** | **147,401** | **77,072** | **31,091** | **(64,595)** | **1,894,819** |
| | | | | | | |
| **Total Segment liabilities** | **1,453,065** | **142,141** | **-** | **37,983** | **(30,239)** | **1,602,950** |

## Annexes to the notes to the condensed interim consolidated financial statements:

Reconciliation statement of the loss for the period of the Parent Intek Group SpA and the consolidated loss for the period ended 30 June 2013

| *(thousands of Euro)* | *30 Jun. 2013* |
|---|---|
| Loss for the period as per Intek Group SpA separate financial statements | (3,010) |
| Loss for the period of subsidiaries (1) | (8,089) |
| Consolidation adjustments | (20) |
| Share of profit (losses) of equity-accounted investees | (961) |
| | |
| **Loss attributable to owners of the Parent** | **(12,080)** |
| | |
| *Loss of subsidiaries 01/01/2013-30/06/2013* | |
| (1) KME AG consolidated loss | (8,020) |
| Loss attributable to other investees | (69) |
| | (8,089) |

Reconciliation statement between the equity of Intek Group SpA and the consolidated equity at 30 June 2013

| *(thousands of Euros)* | |
|---|---|
| **Parent's equity including loss for the period** | **433,100** |
| Consolidation reserves | (138,695) |
| Difference between consolidated loss and Parent's loss for the period | (9,070) |
| | |
| **Group equity including loss for the period** | **285,335** |
| | |
| Breakdown of changes in consolidation reserves: | |
| 1) Netting of investments and consolidation adjustments | 65,566 |
| 2) KME AG goodwill arising on consolidation | 109,840 |
| 3) other allocations | 18,049 |
| 4) total comprehensive income | (54,760) |
| | 138,695 |

**Statement relating to the Condensed Interim Consolidated Financial Statements pursuant to article 81-*ter* of the Consob Regulation no. 11971 of 14 May 1999 as amended and supplemented**

1. Having regard to the requirements of article 154 *bis,* paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of Intek Group SpA, hereby confirm:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the Condensed Interim Consolidated Financial Statements as at and for the half year ended 30 June 2013.

2. No material findings emerged in this regard.

3. Moreover, we confirm that:
   3.1. the Condensed Interim 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 references concerning significant events that took place in the first half of the year and their effect on the Condensed Interim Consolidated Financial Statements, together with a description of the major risks and uncertainties for the six months remaining in the year. The Directors' Report also includes a reliable analysis of significant transactions with related parties.

Milan, 2 August 2013

The Chairman
(signed on the original)
*Vincenzo Manes*

Manager in charge of
Financial Reporting
(signed on the original)
*Giuseppe Mazza*

**KPMG S.p.A.**
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**(Translation from the Italian original which remains the definitive version)**

# Auditors' report on review of condensed interim consolidated financial statements

To the shareholders of
Intek Group S.p.A.

1 We have reviewed the condensed interim consolidated financial statements of the Intek Group as at and for the six months ended 30 June 2013, comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements present the corresponding figures of the prior year annual consolidated and condensed interim consolidated financial statements for comparative purposes. As disclosed in the notes, the directors restated some of the corresponding figures. We respectively audited and reviewed the prior year annual consolidated and condensed interim consolidated financial statements and issued our reports thereon on 9 April 2013 and 10 August 2012. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the notes for the purposes of preparing this report.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Intek Group as at and for the six months ended 30 June 2013 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 28 August 2013

KPMG S.p.A.

(signed on the original)

Piero Bianco
Director of Audit