INTEK GROUP

ANNUAL FINANCIAL REPORT
2014

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

Board of Directors
of 27 April 2015

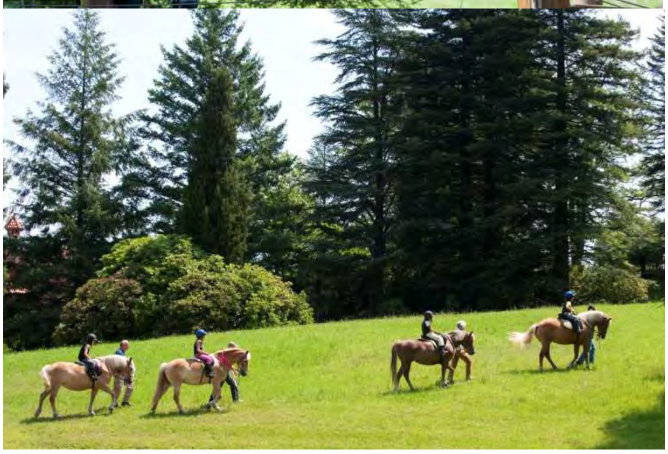
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital euro 314,225,009.80 fully paid-up
Tax Code and Milan Company Register
no. 00931330583
www.itkgroup.it

Contents

Dynamo Camp

Dynamo Camp, was established in the summer of 2007, when it hosted 60 children suffering from oncological pathologies and, **in 2014**, in its eighth year of operation: **1,200 children** hosted completely free of charge for vacation and recreation pursuing Recreational Therapy programs, through which they build up their confidence in themselves; **190 families** were hosted; **18 programs**; **63 pathologies**, mainly onco-haematological, neurological and diabetes; a **network of 74 hospitals** and **50 pathology associations** in Italy and abroad; staff consisting of **45 employees**; **seasonal staff of 61 persons; 19 doctors and 23 nurses** present during the programs; **629 volunteers** and over 1000 requests to volunteer from all over Italy; **international programs**, with children from Germany, Belarus, Greece, Serbia, Lithuania, USA, France, Holland, Switzerland, Iraq, Jordan, the United Arab Emirates and Morocco. Since 2010 Dynamo Camp has been bringing Recreational therapy programs outside the camp as well, through its **Outreach project.** The Recreational Therapy approach, which the Outreach concept is based on, aims to involve the **children and the teenagers who have been in hospital, hosted with families and the children in the post hospital phase or which originate from non hospital structures** in entertaining and fulfilling activities that stimulate their abilities, and renew their confidence in themselves and their potential.

Through the Outreach activity, over **7,000 children** have been reached from 2010 to date.



Among the highlights of the year **2014** we note:

- The inclusion of **new pathologies**, in particular IBD (chronic inflammatory bowel disease) and rheumatological pathologies;
- The consolidation of **programs that are dedicated to teenagers who have been hosted in the camp and are now preparing to become volunteers and staff**, Leaders in Training (LIT);
- The consolidation of a program entirely dedicated to healthy b**rothers and sisters** (Sibling Camp)

Among the projects are:

- **Art Factory** with the participation of artists from the international contemporary art scene Hazem Harb, Andrea Chiesi, Gabriele Di Matteo, Massimo Bartolini, Davide Dormino, Chiara Dynys, Giuseppe Stampone, Loris Cecchini, Stefania Galegati with Rosa Matteucci who created, together with the children, works presented in the Dynamo Camp Art Gallery that are available through donations that contribute to the financial sustainability of Dynamo Camp; the Art Gallery furthermore hosted the exhibition "L'Acqua e Maestra" [water is the teacher], a project by Remo Salvadori which was created together with his students at the academy of Venice, to be donated to Dynamo Camp;
- **Dynamo Studios** with the participation of **professional directors -** Veronica Mengoli, Gigi Piola, Luca Robecchi, Matteo Bonifazio, Gabriele Scotti, Laura Muscardin and Federico Cambria – who created together with the children short feature films in a very fulfilling an entertaining project;
- **Radio Dynamo -** which was named the best Italian web radio in 2014 by RadUni, the association of Italian University radio operators, introduced a live program with the participation of campers, volunteers and doctors;
- The production of the **Dynamo Musical**, with the collaboration of Compagnia della Rancia and the artistic direction of the Musical Theater School of Novara, in which children and teenagers took off on an adventure in the musical world with exercises and rehearsals with actors, singers and dancers, culminating in a production consisting of actual scenes from famous musicals.

In 2014 the **Dynamo Off Camp project was launched**: this is a truck that takes special projects **Radio Dynamo, Dynamo Studios, Dynamo Musical and creative laboratories** on tour. A visible and symbolic medium showing the progress made and to be made in reaching children and teenagers. In 2014, the truck stopped in the following cities: Turin, Padua, Florence, Milan, Rome, Naples and Bari.

The **fund raising** is targeted to individuals, companies, foundations and public entities, while its sustainability horizon is of the medium to long term. The role of individuals and their capacity to bring others together is of strategic importance: **in the last 12 months, 200 ambassadors**, persons who support Dynamo Camp and promote its cause, throughout Italy, have organised **110 fund raising** initiatives, bringing together **7,500 persons** and **514 cyclists** from all over Italy who participated in the second edition Dynamo Bike Challenge, collecting **750 donations** totalling **101,000 euro** for Dynamo Camp.

Company Bodies

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

Chairman	Vincenzo Manes [B]
Deputy Chairman	Diva Moriani [B]
	Salvatore Bragantini
	Mario d'Urso [A, C, D]
	Marcello Gallo
	Giuseppe Lignana [A, C, D]
	James Macdonald
	Alberto Pirelli [A, C]
	Luca Ricciardi[A,D]
	Franco Spalla[A]

A Lead 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** (office ending with the approval of the 2014 financial statements)*

Chairman	Marco Lombardi
Statutory Auditors	Francesca Marchetti
	Alberto Villani
Alternate Auditors	Lorenzo Boni
	Andrea Zonca
Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	KPMG SpA
Common Representative of Saving Shareholders	Pietro Greco
Common Representative of the "2015/2020 Intek Group S.p.A bond holders"	Rossano Bortolotti
Common Representative of the "2012/2017 Intek Group S.p.A holders"	Elena Pagliarani

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2014 Directors' report

Dear Shareholders,

During 2014 your company continued its management of equity investments and portfolio assets in order to increase their value while also canvassing for new investments.

We remind you that subsequently to the incorporation of Intek Spa at the end of 2012, Intek Group took on the structure of a holding company more and more, with diversified assets and dynamic management of its investments.

In concrete terms, the main aim of this management approach is to create value from the individual assets, whether they are companies, business divisions or single assets, with a sharp focus on their ability to generate cash flow or to increase value over time.

The *management* of the Company, in line with this strategic definition, believes that the overall appreciation of the Intek Group's performance must be made by considering, not only the assessment of the economic results for the period, but also and above all the increase in value over time recorded by the individual assets and by their potential capacity to create value for shareholders.

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

As already mentioned in previous reports, the management of the company is focused more on ensuring that the parent company 's separate financial statements represented the equity and income structure in the most effective way while ensuring the company's economic development in terms of the consolidated financial statements. The separate financial statements were therefore always the element on which our communications with the market, in terms of corporate results, were based.

Based on the above and after careful assessment of the applicability of the terms and conditions contained therein, Intek Group has considered that its own operations fall under the field of application of the IFRS that covers investment entities (amendments made to IFRS 19 and 12 and IAS 27) introduced with EU regulation no. 1174/2013 (the "Regulation"), at the end of financial year 2014. The separate and consolidated financial statements have therefore been prepared on the basis of this standard which provides that investment entities shall not consolidate their investments in subsidiaries line by line, but shall measure them at fair value in the income statement. Its application has therefore resulted in the line by line consolidation only of equity investments in subsidiaries that are instrumental to the activity of the Group and therefore, investments in non instrumental subsidiaries were not included in the consolidation area; these were KME AG, a holding company which is the parent company of the KME Group and operates in the "copper" sector and FEB- Ernesto Breda SpA. On the other hand, the fully owned subsidiaries KME Partecipazioni SpA, the sub-holding company of I2 Capital Partners SGR SpA (which operates in investment fund management) and I2 Real Estate Srl (which manages the Group's real estate) were consolidated in the separated financial statements and measured according to the cost principle.

Intek Group took on the characteristics of an investment company at the end of 2014; this resulted in the prospective application of the standard and therefore there was no restatement of the previous year's figures. At the income statement level, there was therefore a consolidation on a line by line basis of all the subsidiaries, except for the non relevant subsidiaries and the difference between the fair value as at 31 December 2014 and the book value thereof on the same date was recognized in a special item.

With regard to the management, we note below the main transactions concluded by the company and the Group during 2014 and the initial months of 2015, which will be explained in further detail in the remainder of this report.

One of the most significant events that characterized the year under review was the sale of the entire equity investment held by our fully owned subsidiary KME Partecipazioni SpA in Cobra AT SpA. This transaction allowed the Group to collect a total of Euro 74.3 million.

In the first quarter of 2015, the Company concluded a significant transaction that allowed it to optimize the debt structure both in terms of duration and cost, as well as to acquire new financial resources to be used for the further development of the Group's investment activity. In its meeting on 2 December 2014, the Board of Directors had approved:

- a voluntary total public exchange offer (the "Exchange Offer") of 22,655,247 "Intek Group SpA 2012 – 2017" bonds in circulation and 115,863,263 "Strumenti finanziari partecipativi di natura obbligazionaria Intek Group SpA 2012 – 2017" with the consideration being new bonds issued by Intek Group for a total amount of Euro 61.7 million (the " Exchange Offer"), offering a premium of almost three percent on the nominal value to the holders of the old securities;
- the concurrent promotion of a public subscription offer of a bond loan (the "Offer to Subscribe"), of a total amount equal to approximately Euro 40 million, which the Company is allowed to increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer.

The newly issued bonds had a duration from 2015 to 2020 and provide for a fixed interest rate of 5%, compared to the 8% of the Bond Loan Intek Group 2012 – 2017 and the financial equity instruments which constituted the exchange offer and which were mandatorily refunded to the individuals who had opted not to participate in the offer.

The issue, which was the first one carried out directly on the MOT by a non-bank company without a placement agent, was concluded with success. The applications for subscription to the new bonds were equal to a total of Euro 177 million compared to Euro 40 million offered initially.

The new bonds were issued on 20 February and on that same date, the securities that were used to participate in the exchange offer were exchanged. Conversely, on 20 March, the old securities which had not participated in the exchange were redeemed.

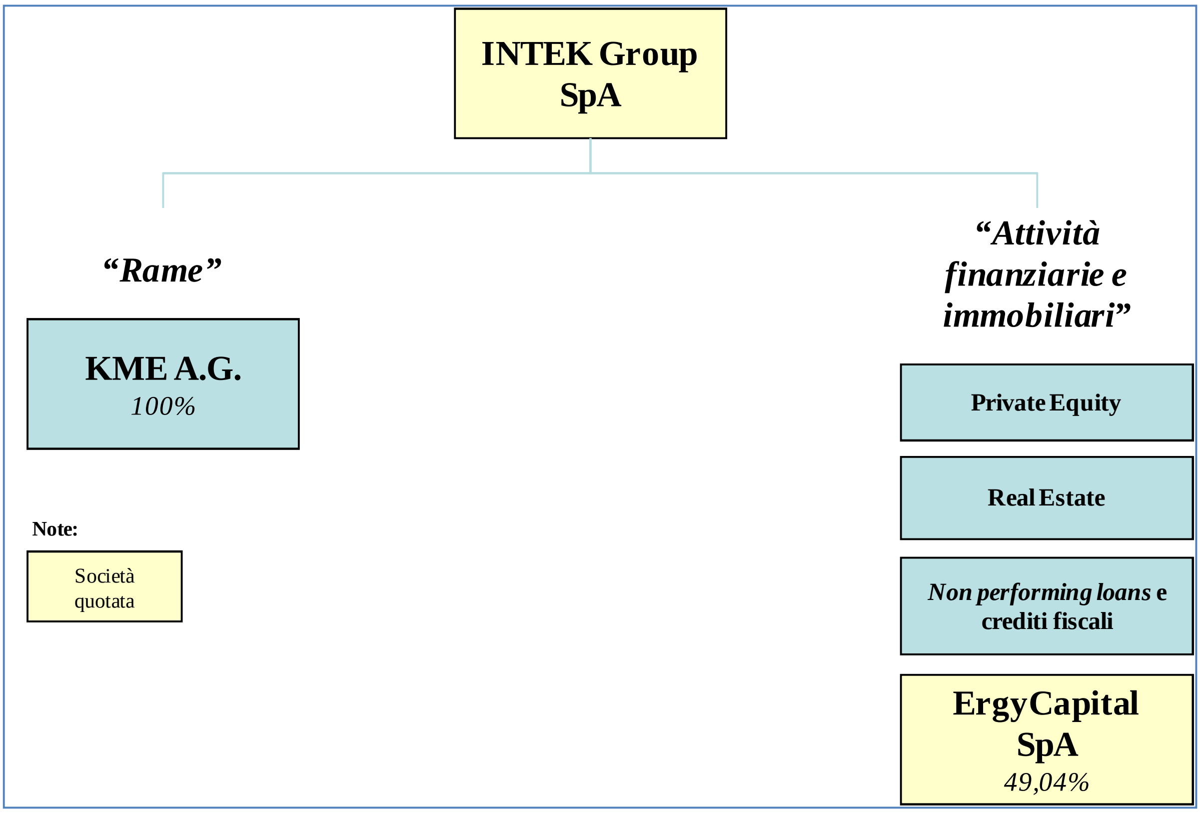
Regarding the copper sector, in an effort to maximize production and commercial efficiency and to increase the value of the assets, while continuing to pursue alliances with major operators in the sector, the organizational structure of the KME Group is currently underway with the separation of the business management of the special products, the brass rods and the German business of special products from the standard products business in Italy, France and Spain

The separation will result in more effective management through the reduction of the excess production capacity. To this end, projects for the restructuring of certain production facilities belonging to the group are being examined, as this could have a significant impact in terms of the Group's production efficiency and profitability.

Again with reference to the "copper" sector, we note that during 2014 the agreements reached during 2013 related to the sale of the brass rods activity in the United Kingdom and the establishment of a joint venture in the connector sector with a major Chinese operator, entered into effect. In the "Copper" sector section, updates on both of these transactions will be provided.

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

Summary of the Group's corporate structure at 31 December 2014



The percentages indicated above include also the shares classified among current financial assets insofar as ErgyCapital.

The investment sectors of Intek Group SpA (hereinafter "Intek Group" or the "Company") are: the traditional "copper" sector, which includes the production and marketing of semi-finished products in copper and copper alloys, which is under the German subsidiary KME AG; the " financial and real estate assets" sector which includes the private equity activity carried out mainly through the closed-end investment fund I2 Capital Partners (the "Fund") and the management of receivables (tax, non performing, and arising from compositions with creditors) and movable securities. The equity investment in ErgyCapital is included under financial and real estate assets; in the financial statements of 2013 and previously to that year, it was represented together with Cobra in the advanced services sector. Regarding the "financial and real estate assets" the problems aimed at accelerating the progressive realization of the assets held continued.

Regarding private equity investments, the future programs are aimed at maximizing our interests in the fund, which ended the investment period at the end of July 2012.

ErgyCapital intends to continue its research and valuation of extraordinary transactions, both for the Company overall as well as for the individual business units, aimed at creating value for the shareholders. This sector was penalized during 2014 by the introduction of the " incentive spread Decree" which resulted in a reformulation of the incentives.

The parent Intek Group S.p.A

In its present 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 development strategies.

As already indicated, Intek Group has covered the conditions for application of the investment entity accounting standard since the end of 2014. The 2014 financial statements were therefore prepared with early application of this standard. The application of the standard resulted, in the financial statements at 31 December 2014, in the measurement at fair value of the equity investment in subsidiaries held for investment with a positive effect, net of taxes, on equity and the results for the year of Euro 19.1 million.

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

Condensed separate statement of financial position				
(in thousands of Euro)	*31 Dec. 2014*		*31 Dec. 2013*	
Copper	**393,997**	**86.02%**	**382,449**	**74.50%**
Financial and real estate assets				
Private Equity	*8,288*		*9,910*	
Non operating assets	*4,554*		*8,042*	
Real Estate/Others	*27,204*		*25,474*	
Ergy Capital/ Other Services	*20,243*		*29,572*	
Total financial and real estate assets	**60,289**	**13.16%**	**72,998**	**14.22%**
Cobra AT	**-**		**54,069**	**10.53%**
Other assets/liabilities	**3,766**	**0.82%**	**3,861**	**0.75%**
Net investments	**458,052**	**100.00%**	**513,377**	**100.00%**
SFPs and outstanding Bonds	*(61,962)*		*(59,567)*	
Other financial indebtedness to third parties	*1,387*		*(18,365)*	
Net financial indebtedness to third parties	**(60,575)**		**(77,932)**	
Restated net financial indebtedness KME Partecipazioni to third parties	**49,933**		**689**	
Financial indebtedness of holding company to third parties	**(10,642)**	**2.32%**	**(77,243)**	**15.05%**
Total equity	**447,410**	**97.68%**	**436,134**	**84.95%**

Notes

- *The investments are expressed net of any financial credit/debit relations in existence with Intek Group or KME Partecipazioni.*
- *The values for 2013 were represented also, following the sale of Cobra and the inclusion of ErgyCapital among financial and real estate assets, by replacing the value of the equity investment held by Intek in KME Partecipazioni with the assets and liabilities of the investee.*

The net investments of the company total Euro 458.1 million at 31 December 2014 (Euro 513.4 million at the end of 2013), of which 86% in the "copper" sector and the remainder in financial and real estate assets. The reduction of the investments, of Euro 55.3 million, is connected mainly to the sale of the equity investment in Cobra, the value of which, including the funding in existence, had been recognized at Euro 54.1 million in 2014. We reiterate that this sale generated cash of Euro 75.8 million, including the repayment of the existing loans, for the fully owned direct subsidiary KME Partecipazioni. The other movements mainly reflect valuation effects, which in addition to the usage of the fair value in replacement of the costs for the investments in subsidiaries, also reflect the adjustments to the value of the investments in real estate assets and renewable energies/other services.

Economic Result

The result of the holding company is positive by Euro 10.9 million, as it benefited by Euro 19.1 million deriving from the effect, net of taxes, of the application of the investment entity standard under the terms and conditions indicated above. In the absence of this effect, the result would have been negative by Euro 8.2 million also due to the non-recurring expenses of Euro 5.2 million. The income thus obtained was placed in an item to be applied to a non- distributable reserve.

Equity

The equity of the holding company is equal to Euro 447.4 million compared to 436.1 million at 31 December 2013; the changes is almost exclusively due to the results obtained in 2014.

The earnings per share is equal to Euro 1.13 with an increase of 3% compared to the previous year.

The Share Capital at 31 December 2014 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares and into 50,109,818 savings shares. The shares do not indicate the nominal value.

At 31 December 2014, Intek Group held 5,095,746 ordinary treasury shares (1.475% of the category capital) and 978,543 savings shares (equal to 1.953% of the category capital). It is hereby noted that 1,134,945 ordinary shares were sold in the first half of 2014. The subsidiary KME Partecipazioni holds 2,512,024 Intek Group savings shares, 5.013% of the relevant share capital.

Financial debt

The net financial indebtedness of the holding company to third parties (which includes both Intek Group and KME Partecipazioni) amounted to Euro 10.6 million at 31 December 2014 (it amounted to Euro 77.2 million at 31 December 2013) , and has benefited from the amounts collected from the sale of Cobra. This indebtedness represents a little more than 2% of the total investments and refers, except for the bonds issued, uniquely to the positions toward Group companies.

At the end of December 2014,Intek, including through its subsidiary KME Partecipazioni, had cash and cash equivalents of Euro 48.9 million.

This liquidity has increased by Euro 38 million due to the net flow from the issue of the new bonds and the early redemption of those in circulation which took place in 2015.

Following the payment of the last instalment of Euro 5.0 million of the loan with GE Capital at the end of December, the parent had no more loans owed to third parties, other than the bonds.

The breakdown of Intek Group's restated net financial indebtedness is as follows:

Reclassified net financial debt			
(in thousands of Euro)		*31 Dec. 2014*	*31 Dec. 2013*
Cash and cash equivalents		(736)	(930)
Current loan assets from subsidiaries		(7,135)	(14,770)
Current receivables for financial guarantees from subsidiaries		(3,892)	(4,356)
(A) Net financial assets	**A**	**(11,763)**	**(20,056)**
Current loans and borrowings		5,870	26,295
Loans and borrowings due to subsidiaries		36,137	13,931
(B) Current financial liabilities	**B**	**42,007**	**40,226**
(C) Current net financial position	**(A) - (B)**	**30,244**	**20,170**
Long-term financial payables		1,690	47
Intek Group 2012 – 2017 Debt securities		48,662	46,869
Bonds Intek Group 2012 – 2017		11,328	10,726
(D) Non - current financial liabilities		**61,680**	**57,642**
(E) Net financial position	**(C) - (D)**	**91,924**	**77,812**
Non-current receivables for financial guarantees due from subsidiaries		(1,675)	(47)
Non-current loan assets - subsidiaries		(449)	(452)
Non-current loan assets - banks		(672)	(672)
(F) Non-current loan assets		**(2,796)**	**(1,171)**
(G) Reclassified net financial debt	**(E) + (F)**	**89,128**	**76,641**

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

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

Reclassified Income Statement		
(in thousands of Euro)	*2014*	*2013*
Changes in fair value of other operating income/charges	23,831	5,698
Commissions on guarantees given	4,721	5,441
Investment management costs	(2,216)	(806)
Gross Profit from investments	**26,336**	**10,333**
Net operating costs	(5,174)	(6,161)
Interest income	453	1,147
Interest expense	(6,774)	(7,679)
Operating profit	**14,841**	**(2,360)**
Non-recurring income/(expense)	(5,218)	2,163
Profit before tax	**9,623**	**(197)**
Taxes for the year	1,322	39
Net Profit for the year	**10,945**	**(158)**

The result of the holding company at 31 December 2014 was positive by Euro 10.9 million, as it benefited from the positive effect of Euro 19.1 million from the application of the investment entity standard, as described above. This effect consisted of Euro 11.4 million reflecting the effects of the KME valuation and of Euro 8 million net reflecting the effect of the FEB-Ernesto Breda evaluation. The positive effect of Euro 19.4 million on the equity investments was then adjusted by Euro 0.4 million of the allocation to deferred taxes. In the absence of this effect, the result would have been negative by Euro 8.2 million.

The item "Changes in fair value and other income/expenses from investment management" has furthermore benefited by Euro 8.5 million from the write-back on the sub holding company KME Partecipazioni (Euro 9.6 million in 2013) arising from the profit realized on the sale of Cobra AT, partially reduced by the value adjustments on the investees ErgyCapital SpA (Euro 7.1 million including the warrants) and Culti Srl (Euro 2.1 million).

The " investment management costs" have been negatively affected by the legal expenses for the collection of receivables incurred during the year.

The " non-recurring income/(expense)" have been negatively influenced by the allocation to the provision for risk for disputes (Euro 2.5 million for the dispute with Mareco, which is further explained in the paragraph on the lawsuits that are ongoing) and the expenses connected to the transactions on bonds (Euro 1.8 million for the alignment to the nominal value of the securities which had previously been recognized at amortized cost).

Cash flows for the years 2014 and 2013 are summarised as follows:

Statement of cash flows – indirect method			
(in thousands of Euro)		*2014*	*2013*
(A) Cash and cash equivalents at the beginning of the year		**930**	**10,576**
Profit (loss) before tax		9,624	(197)
Amortisation and depreciation of property, plant and equipment and intangible assets		89	97
Impairment losses on current assets		95	-
Impairment losses (reversal of impairment losses) on current and non-current loan assets		(25,083)	(18,365)
Changes in provision for pensions, post-employment benefits and stock options		68	350
Changes in provisions for risks and charges		3,474	(1,872)
(Increase) / decrease in investments		(81)	(22)
(Increases) / decreases in other financial investments		1,434	
Increases / (decreases) in financial payables to related companies		23,370	4,923
Increases / (decreases) in financial receivables from related companies		5,663	(31,697)
(increase) / decrease in current receivables		1,744	5,405
Increase / (decrease) in current payables		(3,145)	865
Taxes paid during year		-	382
(B) Total Cash flows from (used in) operating activities		**17,252**	**(27,131)**
Increase in non-current intangible assets and property, plant and equipment		(73)	(55)
Decrease in non-current intangible assets and property, plant and equipment		1	1,300
Increase/decrease in other non-current assets/liabilities		(194)	6,358
(C) Cash flows from investing activities		**(266)**	**7,603**
(Purchase) sale of treasury shares		371	-
Increase (decrease) in current and non-current loans and borrowings		(17,551)	(31,697)
(D) Cash flows used in financing activities		**(17,180)**	**9,882**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(194)**	**(9,646)**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**736**	**930**

It is hereby noted that the company has opted for the longest term allowed by article 2364, paragraph two of the Italian civil code for approval of the financial statements relative to the financial year ended 31 December 2014 in order to complete the verifications regarding the applicability of the IFRS (amendments to IFRS 10, IFRS 12 and IAS 27), introduced with (EU) Regulation 1174/2013 on Investment Entities.

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

Performance in the various investment sectors

We shall now discuss the progress insofar as the management of the major investments existing at 31 December 2014. Furthermore, the sales that took place during the period together with the major transactions concluded during the financial year are also included.

The other equity investments held by the Company have been considered to be instrumental to the company's operations and include: KME Partecipazioni SpA, I2 Capital Partners SGR SpA. These companies were the only ones included in the consolidation area after application of the accounting standard on Investment Entities.

Sale of the equity investment in Cobra AT

On 16 June 2014, the issuer signed, together with its fully owned subsidiary, KME Partecipazioni, with Serafino Memmola, the Chairman of Cobra Automotive Technologies SpA (a company controlled by Serafino Memmola) a framework agreement (the "Framework Agreement") with Vodafone Global Enterprise Limited ("Vodafone"), pursuant to which it committed to promote a voluntary public exchange offer (the Cobra IPO) for all the Cobra Automotive Technologies SpA ("Cobra") shares listed on the MTA, for the consideration of Euro 1.49 per share.

Pursuant to the Framework Agreement, Intek had committed, among other things, the insurance that all 49,891,560 ordinary Cobra shares indirectly belonging to it, equal to 51.402% of its share capital, the overall counter value of which was Euro 74,338,424.40 (the "IPO Consideration") be applied toward the IPO. Furthermore, Intek signed the Framework Agreement in its capacity as guarantor of the last bonds purchased by KME Partecipazioni pursuant to the Framework Agreement.

On 15 July 2014, in execution of the commitment to participate in the Cobra IPO as set forth in the Framework Agreement, KME Partecipazioni applied to the Cobra IPO all 49,891,560 ordinary shares of Cobra that it held. The deadline for participation in the Cobra IPO expired on 1 August 2014 and on 8 August 2014 Vodafone paid the Consideration.

The transaction produced a gross capital gain of Euro 34.1 million at the consolidated level, as compared to the book values at 30 June 2014.

The Framework Agreement included additional provisions, which were:

- the usual declarations and guarantees relative to Cobra made by KME Partecipazioni to the benefit of Vodafone (in particular regarding the truthfulness of the separate and consolidated financial statements of Cobra at 31 December 2013; the quarterly financial statements of Cobra at 31 March 2014; the ordinary operations of Cobra in the period from 31 December 2013 to the date the Framework Agreement was signed; and regarding certain labour, taxation and intellectual property law areas).
- compensation obligations made by KME Partecipazioni to Vodafone in the event of inaccuracy of the above-mentioned declarations and guarantees; the maximum amount that can be paid by KME Partecipazioni for such compensation amounts to Euro 5.1 million (save for exceptional cases).
- the delivery by KME Partecipazioni to Vodafone of a bank guarantee, with a duration of 3 years (in certain circumstances it can be extended by an additional 2 years) for Euro 5.1 million guaranteeing the compensation obligations contained within the Framework Agreement;
- non-compete obligation by KME Partecipazioni to Cobra for a period of 2 years from the date the IPO Consideration is paid;
- obligation of KME Partecipazioni not to solicit nor hire any Cobra employees for a period of 2 years from the date the IPO Consideration is paid.

It is noted that pursuant to the Framework Agreement, on 15 September 2014 Cobra repaid the debt from the shareholder loan granted by KME Partecipazioni of an amount equal to Euro 1.5 million (plus interest), based on a loan contract stipulated between KME and Cobra on 4 July 2013.

* * *

KME Group - "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 Intek Group’s core business.

The fair value as at 31 December 2014 was estimated at Euro 391.6 million, against a cost for the equity investment as at 31 December 2014 of Euro 380.1 million.

As described in the Directors’ Report, the difficult macroeconomic environment, which adversely affected the structural production overcapacity of certain segments with pressure on prices ensuing as a consequence, pushes operating units in the “copper” sector to reinforce operating efficiency and flexibility and at the same time increases the value of the business with the objective of focusing more resources to products with a higher added value and markets with a higher growth. This strategy leads us to eliminate the non-core operations, which are too small or not competitive, and to decrease complexity promoting cash generation, identifying solutions, also through agreements or partnerships, for the development of those sectors which are not able to achieve an acceptable yield for the resources used. The often mentioned agreements concluded in China and Great Britain have been made with this logic.

The first agreement is for the construction of a production facility manufacturing laminates for connectors in the Province of Henan (Xinxiang City). The on-the-ground partner, Golden Dragon, has contributed the financial resources required to initiate construction of the new production unit, while KME Group has made available a facility in Stolberg (Germany) with the relative machinery, know how, and a portfolio of global clients. An initial finishing line should be in operation within the year thereby allowing initial access to the Chinese market for semi-finished products originating from the Stolberg plant and other KME Group entities. The objective is to create a partnership with the leading operator in an area that is under full development, while adding value concurrently to the assets that would otherwise be used for much less productive activities.

The second agreement resulted in the sale of the copper sanitary tubes operations in the Kirkby (Liverpool) facility and the concentration of the resource is on the commercial operations on the English market relative to other KME Group businesses (rolled products, rods and industrial tubes); this agreement also required an evaluation of existing assets, which resulted in a gross capital gain of approximately Euro 18 million and an overall financial benefit of approximately Euro 33 million.

In an effort to maximize production and commercial efficiency and to increase the value of the assets, while continuing to pursue alliances with major operators in the sector, the organizational structure of the KME Group is currently underway with the separation of the business management of the special products, the brass rods and the German business of standard products from the standard products business in Italy, France and Spain

The separation will result in more effective management through the reduction of the excess production capacity. To this end, projects for the restructuring of certain production facilities belonging to the group are being examined, as this could have a significant impact in terms of the Group's production efficiency and profitability.

Regarding the overall financial performance of the sector, we note that the industrial and commercial measures taken are continuing to produce positive effects on costs, but they are not sufficient to offset the drop in turnover net of the raw materials. In 2014, there was a reduction in turnover of 9.4% compared to financial year 2013 (3% considering a uniform consolidation area). The operating profits at 31 December 2014 indeed suffered a drop of 28.5% compared to the previous year, also due to the lower contribution from the optimization of the usage of the raw materials due to less scrap available on the market, which resulted in its cost going up.

Following is a summary table with the main consolidated economic and financial indicators relative to 2014, compared with the previous year.

Key consolidated results of the copper sector		
(million of Euro)	*2014*	*2013*
Revenue	**2,027.9**	**2,335.1**
Revenue (not including raw materials)	**606.2**	**669.2**
EBITDA	**44.9**	**62.8**
EBIT	**6.1**	**20.1**
Profit (loss) before non-recurring items	**(15.6)**	**3.1**
Non-recurring income/(expense)	**21.7**	**(10.1)**
Effect of IFRS measurement of inventories	**1.7**	**(13.4)**
Consolidated net loss	**(5.2)**	**(17.2)**
Net financial Debt	**242.8 (31 Dec. 2014)**	**264.0 (31 Dec. 2013)**
Equity(*)	**131.8 (31 Dec. 2014)**	**132.4 (31 Dec. 2013)**

(*) *Equity does not include Euro 109.8 million of goodwill attributed to the copper sector within the consolidated financial statements of Intek Group.*

The **Consolidated Revenue** of the group headed by KME AG at 31 December 2014 amounted to Euro 2,027.9 million, lower by 13.2% than 2013, when it was Euro 2,335.1 million. The lower average costs of the raw materials had an effect on this reduction. Net of the latter costs, revenue decreased from Euro 669.2 million to Euro 606.2 million, down by 9.4% (3,0% considering a uniform consolidation area). During the year the UK operations were removed from the consolidation area (due to sale to third parties) as were the German "connectors" operations (which were applied to the joint venture in China).

EBITDA (gross operating profit) at 31 December 2014 was Euro 44.9 million; it was, therefore, lower by 28.5% than in 2013 when EBITDA was Euro 62.8 million. The decrease in cost of labour and other operating costs confirmed the positive effect of the efficiency and flexibility measures adopted to counter the reduction in production, thanks also to the agreements reached with the trade unions which made it possible, among other things, to forestall employment terminations by using the social measures and fine tuning performance bonuses. As described above, the operating profitability of the first half year was affected by the reduction in the margins deriving from the optimization from usage of raw materials due to the non availability of scrap on the market. The operating income for 2014 decreases from 9.4% to 7.4%. **EBIT** (operating profit) stood at Euro 6.1 million (Euro 20.1 million in 2013).

The **Loss before non-recurring items** was Euro 15.6 million (profit of Euro 3.1 million in 2013).

The **Consolidated results** in the copper sector shows a loss of Euro 5.2 million (loss of Euro 17.2 million in 2013) due to the contribution of the capital gains realized with the sale of the sanitary piping operations in Great Britain and the spinoff of the German operations in the connectors sector which were combined with the Chinese joint venture described above.

The **Net Financial Debt** at 31 December 2014 was Euro 242.8 million, decreasing with respect to the end of December 2013 when it was Euro 264.0 million. The lower level of indebtedness of approximately Euro 20 million is the result of the net financial effects achieved from the sale of the sanitary tubes operations in Great Britain and the spin-off of the Stolberg plant (connectors).

It is hereby noted that on 1 August 2014, contracts were concluded for the extension of the bank's credit line of Euro 505 million, which expires in January 2015, to 31 July 2016, the financing cost is essentially in line with the extended one. Furthermore, an agreement was signed to extend to 30

June 2016 the recourse factoring contracts with GE Factoring SAS, of Euro 355 million and with Mediocredito Italiano S.p.A of approximately Euro 170 million.

During 2014 the investment in the production units in this sector were of Euro 24.7 million (Euro 29.9 million throughout the entire year 2013).

The number of employees in the copper sector at 31 December 2014 was 5,136 (5,834 persons at the end of 2013); the reduction was affected by the deconsolidation of the English operations and the German plant at Stolberg, involving approximately 390 persons.

The demand for semi-finished products in copper and copper alloys on the reference market, considering the broad use that can be made thereof, continues to be affected by the economy in general, which continues in a discontinuous and differentiated manner in the various countries, with growth rates that are still modest despite the obviously expansionary monetary policies in the advanced economies. Considerable elements of fragility persist, which are induced by geopolitical tensions underway and which led, and last few months, to global economic dynamics that were lagging behind expectations.

The cyclical strengthening regained strength in the United States and the United Kingdom, but became weaker in Japan. In the major emerging economies, signs of a slowdown in the growth rate were evident in China, induced by the weakening of internal demand which was not entirely offset by the recovery of demand abroad. In Russia, the economic and financial situation deteriorated further due to the economic sanctions as well as the drop in the prices of oil, while in Brazil, only moderate signs of recovery are visible; on the other hand growth is strong in India.

In the Euro area, the recovery of production continues to be modest; the mitigation insofar as the strength of the foreign demand has not yet been offset by sufficient recovery internally. The prospects continue to be positive for the area overall as well as the major economies, in particular the German economy. Uncertainties remain on the intensity of this recovery; these uncertainties are dependent on whether the improvement in the demand, helped by the depreciation in the currency and the effects of the favourable financial terms and conditions, is able to offset the persistence of the broad margins of production capacity that are unused, which evidently have an adverse impact on prices.

Regarding the performance of the market, demand for semi-finished products in copper and copper alloys for construction was characterized during the financial year by the underlying weakness which was also present throughout 2013. The sales volumes for rolled products further decreased compared to the levels of last year, and the last quarter of 2014 also showed no improvement; the weakness in demand continues to obliterate the positive effect from the increase in the added value obtained through the pricing policy and also an incisive program focusing on promotion of innovative solutions in the housing and furnishing areas.

Similarly, the sales volumes for plumbing tubes were also down, with prices under pressure in the last months of the financial year.

The turnover of special products was slightly higher than 2013 levels, essentially reflecting that economic activity in all emerging countries was continuing at the same levels; the prospects are strictly connected to the cyclical trends in those countries.

The improvement in the market for rods in the first half of the year, in terms of volume as well as prices, showed that there was a new trend that is continuing, in the last two quarters of 2014.

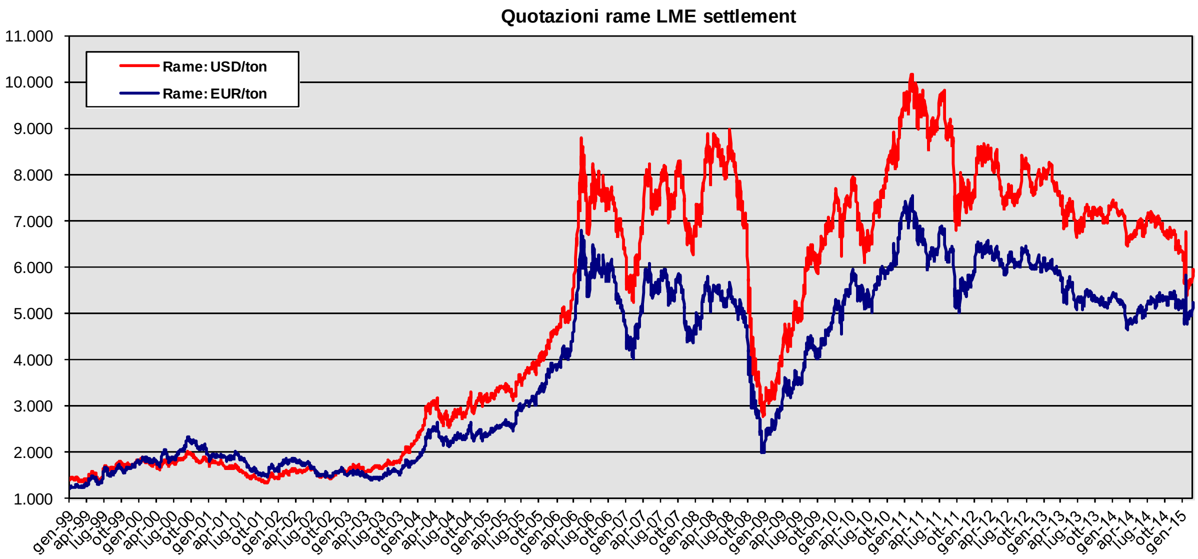
The demand for semi-finished copper products and copper alloys for the industrial sector confirmed the signals of greater stability, though differentiated in the various sections. The sales volumes of industrial rolled products were up, in the last quarter as well, though pressure on prices was significant. The industrial tubing was weaker in terms of volumes, with a slight improvement at the end of the year, but with prices that were more resilient.

Regarding the business outlook, the prospect for the Intek Group copper sector in the new year 2015 are very closely connected to the realization of expectations for recovery of economic activity in Europe; the new environment will contribute to reducing the increased price pressure on markets, which contributed to the drop of the margins in the last quarters. In order to counter this phenomenon, the management is currently defining reorganization programs for the productive assets in the various operating segments to improve the competitive position compared to major competitors.

The average monthly prices of the raw materials for copper in 2014 decreased, compared to the same period in the previous year, 6% in US$ (from US$ 7,322/ton to US$ 6,882/ton) and by 6.6% in Euro (from Euro 5,515 to Euro 5,150) In terms of trends as well, the average prices of copper in the fourth quarter 2014 dropped compared to the third quarter 2014, by 5.3% in US$(from US$6,994/ton to US$ 6,621/ton), while they remained more or less stable in Euro (from Euro 5,279 to Euro 5,298).

In the first quarter of 2015, the average price of copper dropped to US$5,835/ton, while it remained essentially unchanged in Euro 5,185/ton.

LME Settlement copper prices



I2 Capital Partners fund

Intek Group holds a 19.15% share of the Fund. Following the end of the Fund's investment period, from July 2012 the activity of the fund was concentrating on enhancing the value of the assets present in its portfolio.

At 31 December 2014 the fund had invested for a total of Euro 94.2 million, including disposals. Also on that date, the Fund had redeemed fund units to subscribers totalling Euro 78.5 million, of which Euro 15 million referred to Intek Group.

The fair value at 31 December 2014 was Euro 40.2 million, of which Euro 7.7 million referred to Intek Group.

The table below shows the fair value amounts of the main investments in existence at 31 December 2014 which refer to Intek Group.

(in thousands of Euro)	
ISNO 3 S.r.l - official assignee Festival Crociere S.p.A	2,308
ISNO 4 S.r.l - official assignee OP Computers S.p.A	957
Nuovi Investimenti SIM S.p.A	2,490
Benten Srl - (official assignee of Mediafiction S.pA)	19
Safim Leasing S.p.A in liquidazione	5
Fei in liquidazione S.r.l	10
Editoriale Vita	2
Alitalia – Compagnia Aerea Italiana S.p.A;	77
Nuova GS S.r.l / Selecta S.p.A	-

Total Investment	5,868

Other net assets/liabilities of Euro 1.8 million, mainly consisting of pledged deposits, which bring the fair value amount referring to Intek to Euro 7.7 million.

Following is a brief description of the main investments still in existence at 31 December 2014.

Isno 3 S.r.l /Festival Crociere Procedure

In February 2008, following the endorsement of the proposal for composition with creditors by the Court of Genoa, the fund became the assignee of the Festival Crociere S.p.A bankruptcy procedure, through the newly established vehicle Isno 3 S.r.l. with a commitment equal to Euro 12 million.

Isno 3 therefore took over all the lawsuits underway (claw backs from banks and suppliers, lawsuits for damages and liability suits against directors) for significant nominal amounts. The management was therefore focused on analysing and managing the ongoing lawsuits, including the one against Calyon and other defendants. Regarding the latter lawsuit, in December 2012, the Court of Genoa issued a first instance ruling which rejected the main claims made by Isno 3, sentencing GIE Vision Bail, which is 100% owned by Calyon, to pay Euro 6.8 million, plus interests, as a bankruptcy rescindment. Isno 3 appealed this ruling. The Genoa Court of Appeals accepted the appeal and set the next hearing to July 2017.

From the Festival Crociere S.p.A bankruptcy, Isno 3 also took over the claw-back action against Auxiliaire Marittime (a company which is fully owned by the Alstom Group). In 2014, the Genoa Court of Appeals sentenced the counterparty to pay Euro 12 million to Isno 3, plus legal costs. It is believed that the counterparty will bring the case to the Court of Cassation.

The Fund's strategy, in this and other lawsuits, is to settle out of court where possible in order to accelerate the time required for monetization of the investments, by eliminating the courts.

During 2014, settlements were reached with three different counterparties brought the payment in favour of Isno 3 to a total of approximately Euro 1.5 million, in return for the abandonment of all lawsuits initiated against the counterparties.

Isno 4 S.r.l/OP Computers S.p.A

In February 2010, Isno 4 S.r.l (which was established in order to handle compositions with creditors) was appointed as the official assignee for the composition with creditors of Ivrea based company OP Computers S.p.A. The fund invested an amount equal to Euro 1.1 million used to cover the payments provided by the composition.

In November 2014, a settlement was reached between Isno 4 and the Revenue Agency which definitively ended the dispute between the parties. Due to this transaction, Isno 4 ended the year with a net profit at 31 December 2014 of approximately Euro 5.5 million.

Nuovi Investimenti SIM S.p.A

By winning the tender submitted at the sales procedure of the Alpi Biellesi bankruptcy, at the end of 2010 the fund became the controlling shareholder of Nuovi Investimenti SIM S.p.A, a company which is active in trading on its own behalf and in asset management through its subsidiary Alpi Fondi SGR S.p.A and the investment funds managed by the latter.

The total investments for 100% of Sim's share capital was equal to Euro 7.7 million.

From its acquisition, the management of Nuovi Investimenti, under the direction of the Fund, achieved turnaround for the company, consolidating the profitability of Sim and developing the asset management operations, thanks to the launch, through Alpi Fondi, of certain hedge funds that were well received by the customer base, so that the assets under management increased to over Euro 140 million at the end of 2014.

In 2014 the economic performance of Nuovi Investimenti SIM S.p.A was positive, due mainly to the profitability of the trading it carries out on its own behalf. The consolidated result expected on 31 December 2014 is a profit of approximately Euro 1 million, against a loss of Euro 1.2 million in the previous year, due mainly to the restructuring costs incurred for the closure of the online trading business.

New initiatives have been taken for the subsidiary Alpi Fondi SGR, which aim to increase the assets managed by its funds.

From the spring of 2014, with the assistance of an advisor, a process aimed at selling the equity investment in Nuovi Investimenti SIM was initiated. Only one of the various counterparties identified presented an offer for the Fund, which was nevertheless not binding and subject to due diligence. Though this offer would have generated a capital gain, it was not accepted by I2 Capital Partners as it was lower than the value considered appropriate for this investment, and based on the current and future profitability of NIS.

Benten Srl

At the end of 2011, against Euro 1.1 million, the fund became a 30% shareholder of Benten S.r.l, which was established in order to realize compositions with creditors within the bankruptcy procedures of the Cecchi Gori Group.

Benten S.r.l achieved positive results in 2012 and 2013 which allowed the Fund to collect dividends of approximately Euro 1 million in 2014.

Additional positive results are expected from the realization of the assets still held which consist of tax credits of a significant amount and the receivables due from other companies belonging to the Cecchi Gori Group.

Non performing receivables

In February 2008, the Fund acquired discounted receivables worth a nominal value of Euro 19 million from Safim Factor under compulsory liquidation, against a total outflow of Euro 4.5 million. From 2009 to date, the fund has obtained partial reimbursements from the procedure of approximately Euro 14 million. The management company expects to make additional amounts from this investment.

Also in relation to the credits held in the Fund, during the first half of the 2014, following the recent endorsement of the bankruptcy agreement made through the Safim Leasing S.p.A under liquidation, the Fund benefited from a distribution of Euro 1.5 million, against credits of Euro 0.5 million.

Alitalia – Compagnia Aerea Italiana SpA

In 2008, the fund purchased a minority interest in Alitalia (formerly CAI Compagnia Aerea Italiana S.p.A) through its subsidiary (I2 Capital Portfolio) the purpose of which is to invest in minority interests in listed companies and securities, against a total amount of Euro 10 million (corresponding to approximately 0.9% of the company share capital).

During 2013, the investment in Alitalia was increased through subscription of a convertible bond loan (of Euro 1.3 million) and the subsequent increase in the share capital of an additional Euro 2.3 million.

In 2014, the participation in Alitalia was assigned to the Fund as I2 Capital Portfolio was placed under liquidation, since the investment period had ended.

In July 2014, the shareholders' meeting of CAI decided to increase the share capital up to a maximum of Euro 250 million to be offered as an option to shareholders in proportion to the capital held. This capital increase preceded a series of transactions required for realization of the agreement with Etihad Airways, the sole business partner that carried out negotiations aimed at the integration of the company with Alitalia. The Fund did not subscribe to its own share capital increase and therefore the equity investment held decreased vary considerably, also due to the conversion of the preferred shares in the various categories, mainly due to payables to the banks financing the company.

In August 2014, the negotiations with Etihad Airways were concluded, resulting in the latter's entrance into the share capital of the new Alitalia (SAI- Società Aerea Italiana).

The UAE based company now holds 49% of the newco Alitalia SAI, while 51% is held, through Midco, by Alitalia CAI, which the Fund participates in with the share of approximate 0.15%. Due to the issuing of the above-mentioned senior shares, the Fund's rights in Alitalia CAI are lower than the voting rights.

Nuova GS Srl /Gruppo Selecta– Investment in the Venturini Group

The Fund I2 Capital Partners holds 100% of Nuova GS of which, upon conclusion of the restructuring agreement of the Selecta SpA debt to Poste Italiane and the Selecta Srl Group debt to the creditor banks, confirmed pursuant to article 67.D paragraph 3 of the Bankruptcy Law, held 85% of Selecta Spa which was incorporated by the Selecta Srl Group. Upon completion of the restructuring agreement, Nuova GS took over the repayment of the Euro 12 million debt for the pool loan granted in 2008 by two credit institutions to the Selecta Srl Group. The Fund furthermore established a pledged deposit of Euro 2 million in guarantee of this debt.

The economic/profit performance for 2014 was better than in 2013, despite the competitive environment which was worse than had been forecasted. Therefore, turnover was up (from Euro 35.6 million at 31 December 2013 to Euro 39 million in 2014), the operating result was positive (Euro 2.7 million compared to Euro 1 million in 2013) with EBITDA of Euro 6.1 million (15.6% of turnover during the period) as compared to Euro 5.4 million in 2013 (15.2% of revenues last year). Although the figures above are positive and show progress insofar as the operating performance, the overall status of Selecta is considerably precarious. The reference market, which is the printing and placing into envelopes of mandatory communications, remains difficult, with volumes and margins in continuous, sharp contraction, while the competition from operators that also offer the more lucrative delivery service is becoming even more fierce. Although the consolidated indebtedness has decreased, it still remains high in absolute terms, also in light of the fact that it refers almost exclusively to Poste Italiane. To this end, negotiations were recently restarted, following the negotiations which in 2011 lead to the approval of a schedule confirmed by article 67 with this significant creditor, who is also a competitor (through the subsidiary Postel) and a significant supplier of the delivery service.

The net consolidated financial position, including the exposure to Nuova GS of Euro 12 million, shows a overall indebtedness of Euro 34.3 million (Euro 35 million at 31 December 2013). Of this amount, Euro 22.3 million are at the consolidated Selecta level (Euro 23 million at 31 December 2013).

To this end, in addition to focusing on maximizing operating efficiency, the management is searching for integration transactions or joint ventures with other operators, including those belonging to neighbouring sectors, in order to fully apply the capabilities and extend its operation to other sectors (mainly logistics).

Franco Vago Group;

In September 2014, a settlement agreement was reached between the Fund and Nippon Express, based on which, against a payment to the purchaser of Euro 0.5 million applicable to the escrow account of Euro 5 million, the remainder of Euro 4.5 million, plus the interests accrued, were definitively released in favour of the fund. The agreement described above has definitively ended all claims by the parties.

Following this transaction, in November the Fund made a partial reimbursement of Euro 4.6 million.

* * *

FEB - Ernesto Breda

The fair value at 31 December 2014 of the investment in ("FEB") is equal to Euro 15.3 million, against a cost of Euro 2.7 million at 31 December 2014.

The company ended the year with a profit of Euro 0.6 million (profit of Euro 1.5 million in 2013), attributable to the return from the liquidity and the positive settlement of certain liabilities.

During the year, the liquidation of investees Breda Energia and Bredafin Innovazione continued, the compositions for which were carried out in 2012 pursuant to article 214 of the Italian bankruptcy law, with the subsequent exit from compulsory liquidation in the initial months of 2014.

At the beginning of the previous financial year FEB assigned IRES (Corporate Income Tax) assets claimed as reimbursement for a nominal amount of Euro 11.1 million. The assignment made it possible to generate liquidity of Euro 8.2 million with the possibility of further collections, up to Euro 0.6 million, depending on the Revenue Agency payment times. The transaction has already provided an economic benefit on 2013 of Euro 1 million due to the write back of the assigned credits.

The reciprocal current account with our company continued. It generated assets for FEB of Euro 0.4 million during the year. The balance at 31 December 2014 of this account is equal to Euro 18.8 million.

The financial investments produced positive effects of Euro 0.2 million in the income statement.

Regarding the lawsuit, as already described in the specific paragraph, the lawsuit initiated by SGA - Società per la Gestione di Attività SpA, which alleges to be the assignee of ISVEIMER for contingent receivables already recognized in the procedure involving Finanziaria Ernesto Breda is still ongoing.

* * *

ErgyCapital

In the consolidated financial statements of Intek Group at 31 December 2014, the equity investment in ErgyCapital is recognized at fair value at an amount of Euro 7 million corresponding to the stock exchange price at 31 December 2014.

During 2014, the ErgyCapital Group recognized revenues of Euro 17 million, down compared to the corresponding period of the previous year (Euro 17.8 million).

Consolidated EBITDA is positive by Euro 8.7 million, in line with the amount recorded for the previous year (Euro 8.6 million), though the gross operating margin of the Photovoltaic Sector contracted significantly by Euro 1.3 million, due to the weather conditions during the year and the reduction of the tariffs for energy prices. This loss is considered to be more than offset by: (i) the increase of Euro 0.4 million in the operating margin of the Biogas Sector (EBITDA of Euro 1.5 million as compared to Euro 1.1 million in the previous year); (ii) an increase of Euro 0.3 million in the operating margin of the Geothermal Sector (EBITDA at breaking even as compared to a negative result of Euro 0.3 million in 2014); (iii) an increase of approximately Euro 0.6 million in the EBITDA of the holding company attributable mainly to the reduction in operating costs, which were negative by Euro 1.3 million as compared to Euro 1.9 million the previous year.

The net result was negative by Euro 2.8 million (negative for Euro 2.6 million in 2013).

The consolidated net financial position showed debt of Euro 73.7 million at 31 December 2013 compared to Euro 71.3 million at 31 December 2014.

The activity in the photovoltaic field was affected by certain regulatory interventions during 2014.

Indeed, from 1 January 2014, a regulatory amendment redefined the remuneration mechanisms for electricity sold to Gestore dei Servizi Energetici SpA through a dedicated withdrawal service, replacing the guaranteed minimum price tariffs in effect for plants up to 1 MW of power with a variable zonal hourly price.

Furthermore, in June 2014, the Legislative Decree no. 91/2014, or the "incentive spreading" Decree, converted into law 116 of 11 August 2014 on 20 August 2014, revised the incentive tariffs of the previous Energy Accounts for plants larger than 200 Kwp the, while also changing the procedures for liquidation of the incentives.

The ErgyCapital Group selected the second option provided by the Decree (except for two plants -1.5 MW - held by subsidiaries Ergyca Tracker Srl and Ergyca Tracker 2 Srl), therefore remodelling of the incentive tariffs, notwithstanding the twenty year period for the provision of the incentives, providing for an initial period in which the incentive will be lowered compared to the current incentive and a subsequent period in which the incentive will be increased by a similar amount.

Intek Group holds 49.04% of the share capital and following the dissolution of the shareholders' agreement in existence up to 21 January 2015, it assumed de facto control of the company.

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Real estates

The real estate operations are carried out through subsidiaries I2 Real Estate, Tecno Servizi and Rede Immobiliare.

During the year, the activities aimed at finalizing the assessment of the group's real estate assets continued in view of their sale. In particular, both units located in Paris were sold for Euro 6.1 million, followed by partial reimbursement of an equal amount of the debt due to Futura Fund Sicav. In January 2015, two properties located in Sicily were sold, via a power of attorney, for Euro 2 million with concurrent repayment of an equal amount of the last tranche of the debt to Futura Fund Sicav, thereby completely executing the agreement signed at the end of 2013 with Cassa dei Ragionieri and Futura Fund Sicav.

* * *

Culti Srl

The company is active in the marketing of furniture products and the relative accessories. It ended 2014 with a loss, far away from its expectations. These negative results were due to: *i*) a drop in turnover during the year due mainly to the reduction of the demand from the Japanese distributor which was not offset by development in other channels, (*ii*) the write-down of the equity investment in the spa located in Milan. With regard to this latter activity, the business unit was sold in November 2014.

In light of the persistent negative situation, a significant reorganization of the company is underway which led, in December 2014, to the establishment of Culti Milano S.r.l., a company held 35% by KME Partecipazioni and 65% by Culti Srl.

On 1 April 2015, Culti Milano Srl concluded a company leasing agreement with Culti Srl. The contract is of a 10-year duration, and can be renewed for another 5 years. It provides for the lease of the brands, all the personnel, and the replacement of Culti Srl by Culti Milano in the orders in process as at 31 March 2015. The warehouse was sold by Culti Srl to Culti Milano with payment set on the basis of the the periodic withdrawals made by the latter. The annual lease has been set at Euro 410 thousand.

* * *

Other activities

The credit recovery activity related to the former Fime and Isno 2 assets continued. This activity, which has been completed, resulted in collections during the year totalling Euro 1.6 million.

The liquidation of Progetto Ryan 2 (formerly Meccano S.r.l.) continues. The recovery of the receivables which remain in the portfolio is proceeding with difficulty and therefore the closure of the liquidation process cannot be envisaged at this time.

* * *

Financial risk management

Regarding financial management, we hereby note that in December 2014, the remaining instalment of Euro 5 million of the loan with GE Capital was paid, while on 30 June 2014 the last instalment of Euro 4.7 million of another loan, again with GE Capital was repaid.

To date, the parent has no financial exposure to third parties except for the outstanding debt securities.

As mentioned previously, in the first quarter of 2015, the Company concluded a significant transaction that allowed it to optimize the debt structure both in terms of duration and cost, as well as to acquire new financial resources to be used for the further development of the Group's investment activity.

In its meeting on 2 December 2014, the Board of Directors had approved:

- an optional public total exchange (the "**Exchange Offer**"):

(i) on no. 22,655,247 outstanding bonds "*Intek Group SpA 2012 – 2017*", of a nominal unit value of Euro 0.50 (the "2012 Bonds") issued by the company and listed on the Mercato Telematico delle Obbligazioni e dei Titoli di Stato ("MOT"), and

(ii) on 115,863,263 "Strumenti finanziari partecipativi di natura obbligazionaria Intek Group S.p.A. 2012 – 2017" outstanding, with a nominal unit value of Euro 0.42 (the "2012 SFPs" and, together with the 2012 bonds, the "Instruments") issued by the company and listed on the MOT;

with consideration being the new bonds issued by Intek Group based on the following exchange ratio:one 2015 bond for every 42 2012 bonds and every 50 SFPs, both with an overall nominal value of Euro 21.00 (in addition to the payment of the interest instalment due on 3 August 2014 and until the settlement date of the consideration in relation to the 2012 Bonds and the 2012 SFPs used for participation in the Exchange Offer);

- the concurrent promotion of a public subscription offer of a bond loan (the "Offer to Subscribe"), of a total amount equal to approximately Euro 40 million, which the Company is allowed to increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer.

The Public Exchange Offer allowed Intek to redeem the 2012 bonds and the SFPs early in the event of issuance of at least 2,314,815 shares as part of the offer against a minimum counter value of Euro 50,000,004. Once this condition was fulfilled, Intek exercised the option afforded to it by the Exchange Offer and on 20 March 2015 redeemed early all the 2012 bonds and SFPs not used for participation in the Exchange Offer. Therefore, 51.902.713 SFPs were redeemed against a nominal value of Euro 21,799,139.46 and 13,936,215 2012 Bonds, against a total value of Euro 6,968,107.50 plus interests totalling Euro 1,443,908.18.

On 17 February 2015, the date on which the Public Exchange Offer expired, the following was contributed for participation: (i) 8,719,032 2012 Bonds (38.49% of the offer) and (ii) 63,960,550 SFPs (55.20% of the Offer) of a total nominal value of Euro 31,222,947, with consideration represented by 1,486,807 bonds of the Loan equal to a nominal value of Euro 32,115,031.20 including the approximately 2.9% premium on the nominal value of the Instruments.

On 17 February 2015, the Offer to Subscribe was also closed, with participation that was much higher than the quantity that was offered (8,177,150 for a nominal amount of Euro 176.6 million against the initial 40 million), and Intek opted to increase the total nominal value of the Offer to Subscribe from Euro 39,000,981.60 to Euro 69,588,720 which corresponds to 3,221,700 bonds of the loan.

Upon completion of the Offer to Subscribe and with account taken of the Exchange Offer data, Intek Group made a single bond issue of 4,708,507 bonds with a nominal unit value of Euro 21.60 (the " **2015 Bonds**"), amounting to Euro 101,703,751.20 of which 1,486,807 (for a nominal Euro

32,115,031.20) to the subscribers to the Exchange Offer and 3,221,700 (nominal Euro 69,588,720.00) to those who participated in the offer to subscribe.

The Bonds are listed on the Mercato Telematico delle Obbligazioni e dei Titoli di Stato (the "**MOT**"). They have a duration of 5 years from 20 February 2015, the dividend entitlement date, that is until 20 February 2020. The bonds bear interest at the fixed nominal annual rate of 5%. Interest will be paid in arrears each year, that is at the end of every 12 months

Intek will be entitled to reimburse, including partially, the 2015 Bonds beginning from the end of the second year from the dividend enjoyment date.

The redemption price of the 2015 bonds, expressed as a percentage of the portion of the nominal value being reimbursed will be: (i)from the end of the second year until the end of the third year 102%; (ii) from the third year until the end of the fourth year 101% and (iii) from the end of the fourth year until the maturity date 100%.

The 2012 Bonds and the 2012 SFPs used against Exchange Offer together with those purchased from the Issuer were cancelled respectively pursuant to article 6 of the Bond Regulation "*Intek Group SpA 2012-2017*" and article 26-*decies*of the Intek Articles of Association.

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Group results

Regarding the performance of the group, we note that this is the first financial year in which the accounting standard on investment entities is applied (amendments to IFRS 10, IFRS 12 and IAS 27) introduced with EU regulation 1174/2013, effective from 1 January 2014.

Therefore, only the companies that are instrumental to the operations of Intek Group are included in consolidation area and in particular, in this financial year: KME Partecipazioni, I2 Capital Partners SGR and I2 Real Estate S.r.l.

In consideration of the fact that Intek Group has taken on the qualification of investment entity during the fourth quarter of 2014, the non-instrumental equity investments are included line by line in the consolidated income statement for 2014. The difference between the fair value of the equity investments per investment and their book value at 31 December 2014 or the Euro 146.7 million was recognized in a special item.

In light of the above, the structure of the income statement follows that of previous years.

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

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Alternative performance indicators

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

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

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

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<u>Reclassified Income Statement</u>

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

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

3. *Non-recurring items are reported below EBITDA/EBIT.*

The table below shows the effects for 2014 of the different methods of measurement and presentation.

Reclassified Consolidated Income Statement						
(millions of Euro)	*2014 IFRS*		*Reclassification*	*Adjustments*	*2014 Reclassified*	
Gross revenue	2,027.95	**100.0%**	-	-	2,027.95	
Raw material costs	-		(1,421.80)	-	(1,421.80)	
Revenue net of raw material costs	**-**				**606.15**	**100.0%**
Personnel expenses	(291.87)		2.70	-	(289.17)	
Other consumables and costs	(1,675.87)		1,389.10	(1.40)	(288.17)	
EBITDA* gross operating profit (loss)	**60.21**	**3.0%**	**(30.00)**	**(1.40)**	**28.81**	**4.8%**
Amortisation and depreciation	(39.12)		-	-	(39.12)	
(EBIT) operating profit (loss)	**21.09**	**1.0%**	**(30.00)**	**(1.40)**	**(10.31)**	**-1.7%**
Net financial expenses	6.48		1.70	-	8.18	
Profit (loss) before non-recurring items	**27.57**	**1.4%**	**(28.30)**	**(1.40)**	**(2.13)**	**-0.4%**
Non-recurring income	-		28.30	-	28.30	
Effect of IFRS measurement of inventories and financial instruments	-		-	1.40	1.40	
Taxes on IFRS measurement of inventories and financial instruments	-		-	0.30	0.30	
Current taxes	(2.75)		-	-	(2.75)	
Deferred taxes	(9.94)		-	(0.30)	(10.24)	
Profit after taxes (IFRS inventory measurement)	**14.88**	**0.7%**	**-**	**-**	**14.88**	**2.5%**
Share of profit of equity-accounted investees	(5.21)		-	-	(5.21)	
Profit /(loss) from discontinued operations	-		-	-	-	
Net profit for the year	**9.67**	**0.5%**	**-**	**-**	**9.67**	**1.6%**
Profit from non-controlling interests	0.11		-	-	0.11	
Profit of the Group (*)	**9.56**	**0.5%**	**-**	**-**	**9.56**	**1.6%**

For better comparability, the effect of the adoption of the Investment Entity standard of Euro 146.6 million is excluded.

A summary of the consolidated results for the Group in 2014, compared with the results for 2013, is presented in the table below.

(millions of Euro)	*2014 Reclassified*		*2013 Reclassified*	
Gross revenue	2,027.95		2,335.12	
Raw material costs	(1,421.80)		(1,665.90)	
Revenue net of raw material costs	**606.15**	**100.0%**	**669.22**	**100.0%**
Personnel expenses	(289.17)		(296.72)	
Other consumables and costs	(288.17)		(310.94)	
EBITDA* gross operating profit	**28.81**	**4.8%**	**61.56**	**9.2%**
Amortisation and depreciation	(39.12)		(45.42)	
(EBIT) operating profit (loss)	**(10.31)**	**-1.7%**	**16.14**	**2.4%**
Net financial expenses	8.18		(20.42)	
Loss before non-recurring items	**(2.13)**	**-0.4%**	**(4.28)**	**-0.6%**
Non-recurring income (expense)	28.30		(10.10)	
Effect of IFRS measurement of inventories and financial instruments	1.40		(16.00)	
Taxes on IFRS measurement of inventories and financial instruments	0.30		2.60	
Current taxes	(2.75)		(14.44)	
Deferred taxes	(10.24)		17.85	
Profit/(loss) after taxes (IFRS inventory measurement)	**14.88**	**2.5%**	**(24.37)**	**-3.6%**
Share of profit of equity-accounted investees	(5.21)		(2.17)	
Net profit (loss) for the period	**9.67**	**1.6%**	**(26.54)**	**-4.0%**
Profit/ (loss) from non-controlling interests	0.11		0.38	
Profit/(Loss) of the Group	**9.56**	**1.6%**	**(26.92)**	**-4.0%**

For better comparability, the effect of the adoption of the Investment Entity standard of Euro 146.6 million is excluded.

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

Consolidated equity			
(in thousands of Euro)	*31/12/2014 Investement Entity*	*31/12/2014 Traditional*	*31 Dec. 2013*
Share capital	314,225	314,225	314,225
Reserves	(27,738)	(39,143)	(19,742)
Profit/ (Loss) for the period	155,851	9,559	(26,920)
Equity attributable to owners of the Parent	**442,338**	**284,641**	**267,563**
Equity attributable to non-controlling interests	-	6,734	6,623
Total equity	**442,338**	**291,375**	**274,186**

The Consolidated Net Financial Debt was equal to Euro 30.2 million. Without application of the Investment Entity standard it would be equal to Euro 278 million. There is therefore a significant improvement compared to the indebtedness of Euro 371.1 million at the end of 2013, following the sale of Cobra AT and the performance of KME AG.

Reclassified consolidated net financial debt				
(in thousands of Euro)		*31/12/2014 Investement Entity*	*31/12/2014 Traditional*	*31 Dec. 2013*
Current loans and borrwings		5,140	91,255	337,946
Non-current loans and borrowings		1,482	269,449	96,869
Loans and borrowings due to Group companies		20,372	5,030	4,986
(A) Financial payables	**A**	**26,994**	**365,734**	**439,801**
Cash and cash equivalents		(48,940)	(73,414)	(41,795)
Current loan assets		-	(49,519)	(66,141)
Current loan assets due from Group companies		(7,772)	(10,009)	(10,915)
(B) Cash and current financial assets	**B**	**(56,712)**	**(132,942)**	**(118,851)**
Fair value of LME and metals forward contracts		-	(13,531)	(8,121)
Fair value of other financial instruments		-	(1,296)	635
(C) Financial instruments measured at fair value	**C:**	**-**	**(14,827)**	**(7,486)**
(D) Consolidated net financial debt prior to outstanding securities	**(A) + (B) + (C)**	**(29,718)**	**217,965**	**313,464**
(E) Outstanding debt securities (net of interest)		**59,990**	**59,990**	**57,595**
(F) Consolidated net financial debt	**(D) + (E)**	**30,272**	**277,955**	**371,059**
(G) Non-current financial assets		**(10,085)**	**(4,957)**	**(3,770)**
(H) Total net financial debt	**(F) + (G)**	**20,187**	**272,998**	**367,289**

(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 financial debt reduced by cash and cash equivalents and financial receivables.

The increase in the non-current loans and borrowings is connected to the reclassification from the short to the medium/long term of loan contracts for the copper sector which were originally maturing at the end of 2014 but which were renewed until the middle of 2016.

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

Statement of cash flows - indirect method			
(in thousands of Euro)		*2014*	*2013*
(A) Cash and cash equivalents at the beginning of the year		**41,795**	**65,813**
Profit (loss) before tax		168,994	(32,549)
Amortisation and depreciation of intangible assets and property, plant and equipment		39,089	42,620
Impairment losses on current assets		-	1,766
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		208	(31,697)
Impairment losses (reversal of impairment losses) on current and non-current financial assets		(186,155)	5,214
Capital losses/(gains) on non-current assets		(25,230)	-
Changes in provision for pensions, post-employment benefits and stock options		2,940	(1,711)
Changes in provisions for risks and charges		1,468	(14,497)
Decrease (increase) in inventories		46,158	44,780
Share of profit of equity-accounted investee		5,212	2,165
(increase) / decrease in current receivables		4,224	2,203
Increase / (decrease) in current payables		2,993	(24,779)
Changes from currency translation		(149)	(1,767)
Decrease / (increase) in LME and currency forward contracts		(9,467)	12,873
Taxes paid during year		(15,820)	(13,332)
(B) Total Cash flows from (used in) operating activities		**34,465**	**20,800**
(Increase) in non-current intangible assets and property, plant and equipment		(25,629)	(30,074)
Decrease in non-current intangible assets and property, plant and equipment		27,433	5,562
Iincrease decrease in investments		38,893	(6,579)
Increase/decrease in other non-current assets/liabilities		7,672	(3,323)
(C) Cash flows used in investing activities		**48,369**	**(34,414)**
(Purchase) sale of treasury shares and similar shares		370	(3,404)
Increase/ (Decrease) in current and non-current loans and borrowings		(67,386)	(31,697)
Decrease in current and non-current financial assets		18,074	10,646
(D) Cash flows from (used in) financing activities		**(48,942)**	**(10,404)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**33,892**	**(24,018)**
(F) Change in scope of consolidation		**(2,273)**	**-**
(G) Application of the Investment Entity Principle		**(24,474)**	**-**

(H) Cash and cash equivalents at the end of the year	**(A) + (E) + (F) + (G)**	**48,940**	**41,795**

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

Net consolidated invested capital			
(in thousands of Euro)	*31 Dic 2014 Investment Entity*	*31 Dic 2014 Traditional*	*31 Dec. 2013*
Net non-current assets	454,377	836,195	818,955
Net working capital	17,900	67,187	128,566
Net deferred tax	6,905	(42,747)	(33,061)
Provisions	(6,572)	(296,262)	(272,985)
Net invested capital	**472,610**	**564,373**	**641,475**
Total equity	442,338	291,375	274,186
Net financial debt	30,272	272,998	367,289
Sources of finance	**472,610**	**564,373**	**641,475**

"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 "Investments in equity investments and fund units","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 quotas of 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".*

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Other information:

Related party transactions

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

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

Transaction with subsidiaries and parents

The Intek Group is the recipient of a loan from the holding company Quattroduedue S.p.A. (originally with Quattroduedue Holding BV). The loan is repaid on the basis of Euribor plus a 100 basis point spread. At 31 December 2014 the balance of this loan was Euro 1,488 thousand.

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

Pending litigations

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

As for the Parent, we note the following:

Intek is a party to two lawsuits respectively at the Court of Florence and the Court of Ivrea (Turin), both regarding the appeal of the shareholders' meetings resolutions of KME Group S.p.A. (currently Intek Group SpA) and Intek SpA (merged into the Issuer), respectively made on 9 May 2012. In particular, certain non-controlling shareholders of KME Group SpA (holders of 494,695 ordinary shares, or 0.111% of the share capital as at the date of the shareholders meeting on 9 May 2012) sued before the court of Florence (R.G. no. 11968/2012), alleging the failure of the aforementioned shareholders' meeting to pursue the interests of the company and the perpetuation of specific elusive conduct (avoidance of the regulation on the right to withdraw pursuant to article 2437 of the Italian civil code). Intek Group joined the proceedings and asked for the rejection of all the requests since they were inapplicable, inadmissible and, in any case, ungrounded in both fact and law.

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

The hearing for examination of the preliminary motions was held on 29 January 2015 and the judge ordered a pre-trial court appointed expertise, formulating a series of queries. The company submitted an application for revocation of the preliminary motions that the ordered the court-appointed expertise, which was rejected by the Judge handed down on 15 April 2015.

The same shareholders (owners of 259,858 ordinary shares, or 0.199% of the share capital as at the date of the Intek SpA Extraordinary Shareholders Meeting held on 9 May 2012) initiated a similar lawsuit before the Court of Ivrea (R.G. no. 1277/2012), alleging the failure of the aforementioned shareholders' meeting to pursue the interests of the company and the perpetuation of specific elusive conduct (failure to honour the obligation inherent in the public offer by Quattroduedue Holding BV and avoidance of the regulation on the right to withdraw pursuant to article 2437 of the Italian civil code). Intek, which joined the proceedings following the merger becoming effective, made an entry of appearance and statement of defence on 21 December 2012, and asked for the rejection of all the requests since they were inapplicable, inadmissible and, in any case, ungrounded in both fact and law.

At the end of the hearing held on 22 March 2013, the judge reserved the right to decide on combining the judgment with that pending before the Court of Florence. With its ruling of 17 May 2013, the Judge rejected the exception regarding the combined judgment and set the first hearing, pursuant to article 183, par. six of the code of civil procedure for 25 September 2013, then postponing it based on an order issued 23 September 2013 to 7 May 2014 and again to 8 October 2014. At the hearing of 8 October 2014, upon the request of the parties, the judge allowed the terms set forth under article 183, paragraph 6 of the Italian code of civil procedure, postponing the decision on the pre-trial motions to 29 January 2015. The parties submitted the briefs and at the hearing of 29 January 2015 the judge reserved his ruling pending the results of the expertise including the request for a court-appointed expertise made by the counterparty.

As at the date of these financial statements, considering the initial state of the aforementioned lawsuits, it is not possible to assess the risk reliably.

It is furthermore noted that in October 2014, Intek Group was served a ruling issued by the Naples Court of Appeals (following the application for invalidation against Intek regarding the administration in bankruptcy of Mareco Sistemi Industriali Srl) and a ruling issued by the Milan Court of Appeals (following the application for invalidation submitted against Intek by Profida SA) with which the Issuer was sentenced to pay a total of Euro 5 million.

Intek appealed the ruling of the Naples Court of Appeals at the Court of Cassation, requesting suspension of the executive effect of the aforementioned ruling, but nevertheless allocated a specific provision for risks of Euro 2.6 million against this liability. The Naples Court of Appeals suspended the executive effect of the ruling of 26 September 2014 at the end of March 2015.

Regarding the ruling issued by the Milan Court of Appeals, a settlement was reached with the counterparty before the financial statement closing date and costs were undertaken entirely by a third party against which Intek had a right of compensation. Therefore, no allocation was made in this regard.

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

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

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As for the Group, the following is noted:

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

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

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<u>Parent and ownership structure</u>

The Company is controlled by Quattroduedue Holding BV which is based in Amsterdam (Holland), Kabelweg 37, through Quattroduedue SpA, a wholly-owned subsidiary of the aforementioned Quattroduedue Holding BV. At 31 December 2014 Quattroduedue Holding BV held 158,067,506 Intek Group ordinary shares, or 45.749% of the Company’s ordinary share capital.

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

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Staff

At 31 December 2014 the Intek Group had 13 employees, of which 3 were managers and 10 were white-collar staff, one of whom resigned at that date.

With reference to the Group, at 31 December 2014 the head count was 5,153 employees (5,850 employees at 31 December 2013).

The average number, compared with 2013, was as follows:

	2014	*2013*
Blue-collar	3,932	4,242
Executives and clerical	1,519	1,609
Total	**5,451**	**5,851**

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

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Treasury shares

At 31 December 2014, the Company held 5,095,746 ordinary treasury shares (equal to 1.475% of the shares of this category) after having sold 1,134,945 ordinary shares in the first half of 2014.

At the same date the Company also held 978,543 treasury savings shares (1.953% of that type of capital).

In addition, it is noted that at 31 December 2014 the 100%-owned subsidiary KME Partecipazioni held 2,512,024 INTEK Group savings shares, 5.013% of the relevant share capital.

In March 2015 Intek Group initiated a program for the purchase of its ordinary treasury shares up against a maximum amount of Euro 1.5 million, for the purposes and within the limits set by the authorization granted by the ordinary shareholders' meeting held on 11 June 2014. As at the date of this report, 764,000 ordinary shares had been purchased bringing the total percentage held to 1.70% of the voting capital (1.48% of the total capital).

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

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Update in matters of governance

We would now like to update the corporate governance information provided with the financial statements at 31 December 2013 and the half year financial statements as at 30 June 2014 with additional details in the Report on Corporate Governance and the ownership structure.

In its meeting of 11 June 2014, the shareholders' meeting approved the financial statements for the year ended 31 December 2013. It appointed Salvatore Bragantini as director, replacing Ruggero Magnoni, who had been co-opted by the Board of Directors on 14 May 2013 and remained in office until the first shareholders' meeting thereafter.

Upon completion of the public exchange offer concluded on 20 February 2015 and the mandatory redemption of the 2012-2017 bond and the SFPs on 20 March 2015, these debt instruments were cancelled. As a result, Marco Crispo Representative of the Holders of the “Intek Group SpA 2012/2017 Bonds” and Rossano Bortolotti Representative of the Holders of the “Strumenti Finanziari Partecipativi di natura obbligazionaria Intek Group SpA 2012/2017” stepped down from their office.

Rossano Bortolotti was appointed the representative of the Holders of the Intek Group 2015-2020 Bond. He will remain in office for three years and his annual emoluments will amount to Euro 5,500.

Elena Pagliarani was appointed the Representative of the Convertible Intek Bonds 2015-2017 on 6 February 2014.

There were no changes to the entity and composition of the share capital. It is hereby reiterated that in its meeting on 30 April 2013, the Shareholders' Meeting ruled that from 2 May 2013 the outstanding savings shares will have a single listing line characterised by the following ISIN codes:

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

Finally, we note that, no transaction was carried out during 2014 as part of the mandate given to the Directors for purchasing of treasury shares, while in the period from 27 March to the date of this report, 764,000 ordinary treasury shares were purchased.

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Principal risks and uncertainties to which Intek Group S.p.A. is exposed.

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected to investments and disinvestments. The company's financial results depend mainly on these transactions and the dividends distributed by subsidiaries and, therefore, in the final analysis, they reflect, in addition to the financial performance, also the investment and dividend distribution policies of the subsidiaries.

Corporate equity investments are by their nature investments that carry a certain level of risk. Indeed, these types of investments do not provide the certainty that the invested capital will be refunded in full or they could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

Furthermore, the disinvestment process could require more time than was expected and/or be realized on the basis of terms and conditions that are not fully satisfactory or at non remunerative terms and conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidity of these equity investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, the possible consequent unavailability of an information flow that is at least equal, insofar as its quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the company and therefore assessing the completeness and accuracy of the information it provides. For equity investments that are not controlling investments, whether in listed companies or unlisted companies, the possibility of influencing the management of the equity investments themselves in order to promote growth, including through a relationship with the management and the shareholders of the investee, could be limited.

Risks relating to the general economic environment

To date, the main investment of Intek Group is in the metallurgical sector and in particular the production and working of copper and copper alloys, which is historically subject to excess production capacity, mainly of a cyclical nature.

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

It is always difficult to predict the extent and duration of the business cycle. The cyclical nature of the sectors in which KME Group operates tends to be a reflection of general economic trends, sometimes amplifying their effects. Therefore, any macroeconomic event, such as the collapse of one of the group's main markets, financial market volatility and the consequent deterioration of capital markets, higher energy prices, fluctuating prices of commodities and other raw materials, adverse movements in interest and exchange rates, and government policies (including environmental regulations) – which could negatively impact the sectors in which KME operates may affect the Group’s outlook, operations, financial position and results.

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

Regarding the other sectors in which the Company invests and operates, and in particular the assets from the merger with Intek it is hereby noted that:

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

Competition and commodity price risks

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

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

* * *

The significant events after 31 December 2014

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

Proposal to approve the 2014 financial statements

"The Ordinary Shareholders' Meeting of Intek Group SpA, in its ordinary meeting held at Mediobanca SpA – Via Filodrammatici n. 3 in Milan, having acknowledged the reports of the Board of Statutory Auditors and the Auditing Firm, and after having heard an approved the report of the Board of Directors

resolves

- to approve the Report on operations by the Board of Directors for the year ended 31 December 2014 and the financial statements as a whole, and its individual entries and records with the provisions and uses proposed, which show a net income of Euro 10,945,322.00;
- to allocate profit for the year of Euro 10,945,322.00 as follows:
  - 5% to the legal reserve , up to Euro 547,267.00;
  - through allocation to the appropriate restricted reserve, pursuant to article 6 of Italian Legislative Decree 38/2005 of the profits from application of the fair value criterion, of Euro 10,398,055.00;
- to attribute to the shareholders the dividend in the form of treasury savings shares. This attribution will take place through the assignment of 1 savings share for each 111 ordinary shares and/or saving shares held.
  - The dividend will be assigned on 1 July 2015 with detachment on 29 June 2015 respectively of coupon no.5 for the savings share and the coupon no. 4 for ordinary shares.
  - The shares constituting the object of the assignment, pursuant to the intention expressed by the financial management with resolutions 26/E of 7 March 2011 and 12/E of 7 February 2012, do not constitute taxable profits and are therefore not subject to taxation. The treasury shares assigned will therefore reduce the unit value recognised for tax purposes of the shares previously held by the Shareholder.

Milan, 27 April 2015

Board of Directors
The Chairman
Vincenzo Manes

INTEK GROUP

2014

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP SPA

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 27 APRIL 2015

Tables:

Glossary

Code of Conduct: the Code of Conduct for listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana SpA, ABI, Assogestioni, Assonime and Italian Manufacturers' Federation.

Civ. Code/c.c.: the Italian civil code.

Issuer/ Company/Intek Group: Intek Group S.p.A.

Financial year the financial year ended as at 31 December 2014, to which this report refers.

Merger: The merger by incorporation of iNTEK SpA into KME Group (which assumed of the name Intek Group), that took place on 30 November 2012.

Model: the organisation and management model adopted by the Company pursuant to Italian Legislative Decree 231 of 2001.

Issuers' regulation: the Regulation issued by Consob with its resolution 11971 of 1999 (as currently applicable) regarding issuers.

Market Regulation: the Regulation issued by Consob with its resolution 16191 of 2007 (as currently applicable) regarding markets.

Related Party Regulations: the Regulation issued by Consob with its resolution 17221 of 2010 (as currently applicable) regarding related parties.

Report: the corporate governance report and corporate structures that the companies are required to prepare pursuant to article 123-bis of the TUF.

Consolidated Law on Finance /TUF: Italian Legislative Decree no. 58 dated 24 February, 1998

Foreword

The Board of Directors of Intek Group SpA, in its meeting held on 27 April 2015, took the extension provided by article 2364 par. II of the c.c. and also approved the Report for said financial year, together with the draft financial statements for the 2014 reporting year.

The Report provided below includes the amendments made to the Code in July 2014 and takes into account the subsequent regulatory changes.

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

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

- related party transactions:

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

- exercise of shareholder rights:

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

- functions of the Board of Statutory Auditors

with regard to Art. 19 of the Legislative Decree 39/2010 which implemented directive 2006/43 the regulation applicable to the function of the Board of Statutory Auditors has, in particular, affected the disclosures that are required to be made in compliance with the Code recommendations on the functions of the Internal Control Committee: in addition to confirming the elimination of the reference requiring valuation of the "proposals made by the auditcompanyin order to obtain the relative mandate" (Criterion 8.C.3, d.), first part of the Code), the references to the requirement for valuation of the "work plan scheduled for the audit" (Criterion 8.C.3, d.), second part of the Code) and the requirement referring to monitoring of the "efficacy of the audit process" (Criterion 8.C.3, e.), were expunged.

- transparency of the remuneration to directors and Key management personnel:

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

In regard to the latter, considering that the companies with shares listed on regulated markets are now required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by the Consob Issuers Regulation, and in order to avoid providing redundant information, the pertinent information (see Sect. 9) will be provided by providing to the parties the remuneration report pursuant to article 123-ter of the TUF as was done for the Report presented for 2013.

This Report has been prepared pursuant to the guidelines issued by Borsa Italiana (Version V of January 2015) and the criteria set forth in article 89 bis of the Issuer Regulation.

To this end, it is specified that pursuant to the novated second paragraph of article 123 bis of the TUF, the requested information which is contained in this Report is disclosed to the public both by attaching this Report to the 2014 financial statements and through publication on the company's website www.itkgroup.it.

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

(i) compliance with each Code provision;

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

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

This Report aims to illustrate the corporate governance model that Intek adopted in 2014, the specificities of the company, which aims to obtain essential alignment with the organisational model of the principles contained in the Code which the Company has declared it will comply with, as well as the relative recommendations made by the supervisory authorities, in relation to the small dimension and corporate structure of Intek Group.

Additional changes to the Articles of Association had already been adopted in 2012, as part of the merger of Intek into KME Group. In particular, we note the issuing of the "“Intek Group S.p.A. 2012-2017 bonds” and the issuing of a convertible bond loan named "Convertendo Intek Group S.p.A. 2012-2017” governed by article 4 "Capital" of the Articles of Association.

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

The issuer's administration model has been modeled on the traditional model, providing for exclusive management of company operations by the Board of Directors, with the supervisory function being entrusted to the Board of Statutory Auditors and the legally-required audit of the financial statements to an audit company.

The Company has continually improved the quality and quantity of the information it has been providing on corporate governance every year ever since the presentation of the financial statements at 30 June 2000. The individual Reports are available on the website within the financial statements of the respective years, beginning with the one relative to the financial year ended 31 December 2006.

Together with the Articles of Association, the reports are also available on www.itkgroup.it.

During 2011, the provisions regarding the "Gender quotas" for control and management bodies were introduced into the TUF. These provisions entered into effect August 2011 but became operational with regard to the renewals of these bodies subsequent to August 2012. To this end, we reiterate that the Board of Directors and the Board of Statutory Auditors were appointed for 2012/2014 at the Shareholders' Meeting held on 28 June 2012, therefore the new discipline will be enforced in 2015 for the first time upon appointment of the new Board of Directors and Board of Statutory Auditors.

The extraordinary shareholders' meeting of the Company held on 11 June 2014 adjusted the articles of association to the law providing for application of the discipline regarding equilibrium between the genders in the composition of the governing and supervisory bodies, as introduced by law no. 120 12 July 2011 and the relative implementing provisions.

1. Issuer Profile

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

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

- ErgyCapital SpA (renewable energy) (hereinafter “**Ergycapital**”);
- COBRA (services) (hereinafter “**Cobra**”).

The equity investment in Cobra was then sold during 2014.

Both equity investments were concentrated in the fully-owned subsidiary KME Partecipazioni S.p.A. (hereinafter "**KME Partecipazioni**").

Disclosure relative to the sale of the equity investment in Cobra and the performance of Ergycapital is provided in the Directors' Report which you are referred to for additional information.

Following the merger of Intek SpA, during the last months of 2012, the company positions itself even more 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 merger of iNTEK resulted in the contribution by the latter of financial assets and fixed assets, including the private equity operations, which were traditionally carried out in the past by the merged company.

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

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

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

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

2. Information on Ownership Structure

1. Share capital structure and financial instruments

The share capital of Intek Group, at the date of approval of this Report, unchanged compared to 31 December 2014, was Euro 314,225,009.80, consisting of 395,616,488 shares, of which 345,506,670 were ordinary shares and 50,109,818 were savings shares, all of which with no par value.

Following a public exchange offer, in 2012 the company issued pursuant to the combined provision of articles 2346, paragraph VI and 2351, paragraph V of the Civil Code 115,863,263 "*Intek Group SpA 2012-2017 Participating Financial Instruments*” (hereinafter the "SFP"). The 115,863,263 ordinary shares from the offer were cancelled together with the additional 7,602,700 ordinary shares already held by the company, totalling 123,465,963 ordinary shares and the 135,008 and 31 saving shares, also held by the company, without any reduction in the value of the share capital.

The SFPs with the nominal unit value of Euro 0.42 were issued, against a total value of Euro 48,662,570.46. The annual interest rate paid was equal to 8%. The expiration was set by article 26 ter of the articles of association for 3 August 2017, but article 26 decies allowed the company to voluntarily redeem early, at the nominal value, one year after the issue date.

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

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

Following the Merger, 22,655,247 bonds were outstanding and listed on the Mercato Telematico delle Obbligazioni e dei Titoli di Stato (the electronic bond and securities market or "MOT"), with a unit value of Euro 0.50 totalling Euro 11,327,623.50 of the loan now named the "*Intek Group SpA 2012-2017 bonds*", (the "**2012 bonds**"), which had previously been issued by the merged company iNTEk and named *" Intek SpA 2012-2017 Bonds*" as consideration of a voluntary public exchange offer on Intek shares, which took place prior to the Merger.

The annual interest rate paid was equal to 8%. The maturity was set for settlement of the bond loan on 3 August 2017, but article 6 allowed the company to voluntarily redeem early, at the nominal value, one year following the issue date.

The Common Representative of the bondholders who was appointed was Mr. Marco Crispo while the common representative of the SFP holders is Mr. Rossano Bortolotti. They will remain in office for two years with annual remuneration of Euro 5,000 for each of these years.

At 31 December 2014, both financial instruments were still in circulation.

In the first quarter of 2015, the Company concluded a significant transaction that allowed it to optimize the debt structure both in terms of duration and cost, as well as to acquire new financial resources to be used for the further development of the Group's investment activity.

Indeed, the Company's BoD as at 2 December 2014 had approved:

- a voluntary total public exchange offer (the "**Exchange Offer"):**
  (i) On 22,655,247 "*Intek Group SpA 2012 – 2017*" bonds in circulation and
  (ii) On 115,863,263 SFPs in circulation issued by the Company and listed on the MOT;

  with the consideration consisting of the new bonds issued by Intek Group based on the following exchange ratio: one 2015 Bond for every 42 2012 Bonds and every 50 SFPs, both with an overall nominal value of Euro 21.00 (in addition to the payment of the interest instalment due on 3 August 2014 and until the settlement date of the consideration in relation to the 2012 Bonds and the 2012 SFPs used for participation in the Exchange Offer);
- the concurrent promotion of a public subscription offer of a bond loan (the "**Offer to Subscribe"),** of a total amount equal to approximately Euro 40 million, which the Company is allowed to increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer. The bonds bear interest at the fixed nominal annual rate of 5%.

The Public Exchange Offer allowed Intek to redeem the 2012 bonds and the SFPs early in the event of issuance of at least 2,314,815 shares as part of the offer against a minimum counter value of Euro 50,000,004.

On 17 February 2015, the date on which the Public Exchange Offer expired, the following were contributed for participation: (i) 8,719,032 2012 bonds (equal to 38.49% of the offer) and (ii) 63,960,550 SFPs (equal to 55.20% of the offer) against a total nominal value of Euro 31,222,947 with consideration represented by 1,486,807 bonds of the loan, equal to a nominal value of Euro 32,115,031.20, including the approximately 2.9% premium over the nominal value of the instruments.

On 17 February 2015, the Offer to Subscribe also closed, with participation that was much higher than the quantity that was offered (8,177,150 for a nominal amount of Euro 176.6 million against the initial 40 million), and Intek opted to increase the total nominal value of the Offer to Subscribe from Euro 39,000,981.60 to Euro 69,588,720 which corresponds to 3,221,700 bonds of the loan.

Upon completion of the Offer to Subscribe and given the data of the Exchange Offer, Intek Group made a single issue of bonds consisting of 4,708,507 bonds with a nominal unit value of Euro 21.60 (the "**2015 Bonds"**), amounting to Euro 101,703,751.20 of which 1,486,807 (nominal Euro 32,115,031.20) for the participants in the exchange offer and 3,221,700 (nominal Euro 69,588,720) to the participants in the offer to subscribe.

Once the Minimum Quantity condition was fulfilled, Intek exercise the option afforded to it within the Exchange Offer and on 20 March 2015 redeemed early all the 2012 bonds and SFPs not used for participation in the Exchange Offer. Therefore, 51,902,713 SFPs were redeemed for a nominal value of Euro 21,799,139.46 and 13,936,215 2012 bonds were also redeemed against a nominal value of Euro 6,968,107.50, plus interest totalling Euro 1,443,908.18.

Therefore, all the 2012-2017 Intek Group Bonds and all the Participating Financial Instruments were cancelled.

Following are the main characteristics of the 2015-2020 Intek Group S.p.A bonds.

- 4,708,507 bonds of a nominal unit value of Euro 21.60 were issued against a total of Euro 101,703,751.20;
- The minimum trading quantity/minimum lot on the MOT: 5 bonds with a nominal unit value of Euro 21.60 were issued against a total of Euro 108.00;
- Nominal annual fixed rate of 5%;
- Frequency of the annual coupon;
- Dividend payment date: 20 February 2015;
- Expiry date: 20 February 2020;
- Bullet repayment on the expiry date at a price equal to 100% of the par value.
- Voluntary early redemption: pursuant to Art. 6 of the Regulation, Intek Group is entitled to the redeem early, including partially, the bonds beginning from the second year from the dividend entitlement date of the loan.

  The redemption price (expressed as a percentage of the portion of the nominal value constituting the object of the redemption) is thus defined, increased by the interest accrued but not yet paid on the bonds to be redeemed:

  - From the end of the second year and up to the end of the third year: 102%
  - From the end of the third year and up to the end of the fourth year: 101%
  - From the end of the fourth year and up to the maturity date 100%

* * * * * *

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

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

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

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

The savings shares confer the following privileges:

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

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

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

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

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

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

The further share capital increase in view of the Plan, with regard to the part approved on 19 December 2012, envisages the issue of a maximum of 3,500,000 Intek Group ordinary shares, with dividend rights, at a subscription price of Euro 0.326 per share, for a maximum overall amount of Euro

1,141,000.00, excluding the option right pursuant to article 2441, paragraph 4, second sentence, of the Italian Civil Code.

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

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

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

Pursuant to the Regulation of the aforementioned convertible bond:

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

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

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

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

It is furthermore also noted that at the end of 2013 the parent Quattroduedue S.p.A. granted FEB –Ernesto Breda S.p.A., a company which is a subsidiary of the Intek Group, 526 "Convertendo Intek Group SpA 2012-2017" bonds, or 13.15% of the total bonds issued.

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

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

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

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

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

OTHER FINANCIAL INSTRUMENTS		
	ISIN Code	No. of outstanding instruments
Intek Group SpA 8% 2015 -2020 Bonds	IT0005074577	4,708,507

TABLE 2 : PERFORMANCE OF SECURITIES IN 2014

Investor Relations

Tel.: 02-806291;

Fax: 02-8062940

E-mail: info@itk.it

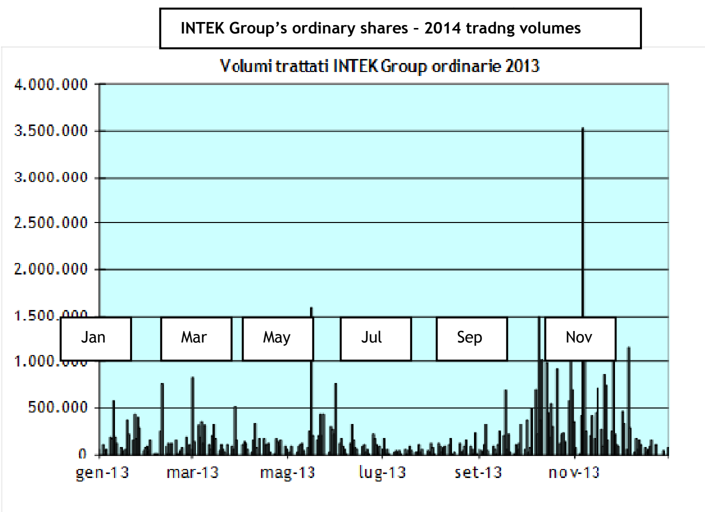
Website: www.itkgroup.it

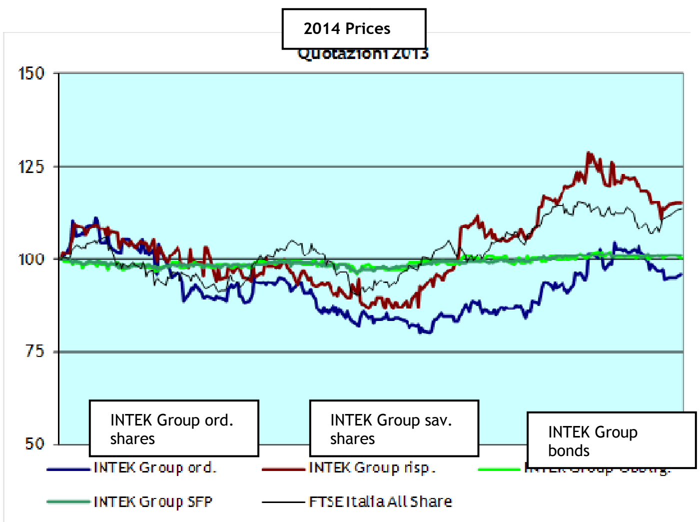
Intek Group SpA has been listed on the stock exchange since 1897.

During 2014, the Intek Group shares underwent the following changes:

- **the ordinary Intek Group share** had a maximum price of Euro 0.490 in the month of April and a minimum price of Euro 0.316 in February;
- **the Intek Group saving share** had a maximum price of Euro **0.661** in July and the minimum price of **0.406** in February;
- **the Intek Group bonds 2012-2017** had a maximum price of **109.99** in April and a minimum price of **103.40** in December;
- **the Intek Group SFPs 2012-2017** had a maximum price of **108.70** in April and a minimum price of **103.24** in December;

(in Euro) –			
No. of ordinary shares			345,506,670
No. of savings shares			50,109,818
Share capital			314,225,009.80
No of INTEK Group S.p.A. 2012-2017 Bonds – 8%			22,655,247
No of INTEK Group S.p.A. 2012-2017 SFPs – 8%			115,863,263
Listed price (at the end of 2014)			
INTEK Group's ordinary shares			0.329
INTEK Group's savings shares			0.586
No of INTEK Group S.p.A. 2012-2017 Bonds – 8%			104.95
No of INTEK Group S.p.A. 2012-2017 SFPs – 8%			104.86
(Amounts in Euro – capitalisation at the end of 2014)			
Capitalisation of ordinary shares			113,671,694
Capitalisation of savings shares			29,364,353
Total capitalisation			**143,036,048**
Shareholders			
Number of ordinary shareholders			**11,713**
Main ordinary shareholders (1)			
Quattroduedue B.V. (2)			45.75%
Baggi Sisini Francesco (3)			4.84%
(1) – No other shareholder declared ownership of more than 2% of ordinary shares.			
(2) – Indirectly owned through subsidiaries Quattroduedue S.p.A.			
(3) – As a subject indirectly controlling Arbus S.r.l., INTEK Group S.p.A.'s direct shareholder.			
Dividend per share (amounts in Euro)	**2012**	**2013**	
Dividend per ordinary share	0.00	0.00	
Dividend per savings share	0.00	0.00	
Stock Exchange prices (in Euro)	**End 2013**	**End 2014**	**Change**
INTEK Group's ord. Shares	0.318	0.329	3.5%
INTEK Group's sav. Shares	0.412	0.586	42.2%
INTEK Group S.p.A. 2012-2017 Bonds – 8%	106.800	104.950	-1.7%
INTEK Group S.p.A. 2012-2017 SFPs – 8%	107.000	104.860	-2.0%
FTSE Italia All Share	20,204	20,138	-0.3%





2. Restrictions on the transfer of securities

The Articles of Association do not contain transfer restrictions pertaining to shares or the "Intek Group SpA 2015-2020 bonds" such as, for example, limitations on the ownership of securities or the need to obtain the approval of the Issuer or other holders of securities,

3. Significant equity investments

On 31 December 2014, and unchanged at the date of this report, the investment of Quattroduedue Holding B.V. in the Company is 158,067,506 ordinary shares, corresponding to 45.749% of the share category for this category: This shareholding is held through the wholly-owned subsidiary Quattroduedue SpA insofar as 158,067,500 ordinary shares while the remaining six ordinary shares which do not affect the percentage above, are directly owned by Quattroduedue Holding B.V.

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

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

Regarding the amendments made to the TUF, Intek Group is qualified as a SME (the small to medium sized enterprise) in consideration of its average market capitalization in the last calendar year, which was less than Euro 500 million, as provided by article 1 w-quater of the TUF. The significant reporting threshold as provided by article 120, no. 2 is therefore equal to 5% of the share capital with voting right.

Given the recent introduction of the aforementioned law and the fact that, as at the date of this report, the equity investments shown on the Consob website are not updated to the new applicable threshold, we provide the following information on the equity investments of the company regarding the 2% threshold.

According to the information available to the company, based on the shareholders' book, the only shareholder other than Quattrodue Holding BV possessing over 2% of the share capital is Francesco Baggi Sisini, through his subsidiary Arbus S.r.L., with 4.837%.

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

At 31 December 2014, the Company held 5,095,746 ordinary treasury shares, or 1.47% of the ordinary share capital and 978,543 saving shares equal to 1.95% of that class of shares and 0.247% of total share capital. Through its fully owned subsidiary KME Partecipazioni S.p.A. it holds 2,512,024 Intek Group saving shares equal to 5.013% of the share capital represented by that class of shares and 0.635% of the total share capital. The total treasury shares held by Intek Group at 31 December 2014, both directly and indirectly, total 8,586.313 shares, representing 2.17% of the Company's share capital.

4. Securities with special control rights

No securities have been issued conferring special control rights.

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

There is no employee share-option scheme.

6. Restrictions on voting rights

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

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

Furthermore, article 28 of the Articles of Association provides that a resolution to extend the duration of the Company (currently 31 December 2050) gives no withdrawal right pursuant to article 2437 of the Italian Civil Code.

7. Shareholders' agreements

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

8. "Change of control" clauses and provisions of the Articles of Association regarding takeover bids

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

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

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

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

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

As indicated above, the Shareholders' Meeting held on 11 June 2014 attributed to the Board of Directors an authorisation pursuant to the combined provision of articles 2357 and 2357 ter of the Civil Code, and also of article 132 of Legislative Decree 58/98 to purchase, for a period of 18 months beginning from 11 June 2014, and dispose of, without time limits, ordinary shares and saving shares pursuant to the law and the regulation.

As part of the right of withdrawal accorded to the iNTEk shareholders in regard to the merger, ordinary and saving shares of the merged company iNTEk were purchased as follows: on 31 December 2014, these holdings were 5,095,746 ordinary shares (equal to 1.475% of the total category and 1.288 % of the entire share capital) and 3,490,567 saving shares (equal to 6.966% of the total category and 0.882% of the overall share capital), including the 2,512,024 shares of the same category held by the subsidiary KME Partecipazioni S.p.A. as indicated below. The total 8,586,313 treasury shares held at 31 December 2014 represented 2.17% of the total share capital.

In March 2015, the Company initiated a program for the purchase of ordinary treasury shares for a total investment of up to Euro 1.5 million with the objectives and based on the restrictions set forth in the authorization provided by the extraordinary shareholders' meeting held on 11 June 2014. The aforementioned meeting authorized the purchase of ordinary shares and savings shares for 18 months from the resolution and without time limits of the ordinary shares and the saving shares, pursuant to the law and the regulation.

From the beginning of the program to the date of this report, the 764,000 ordinary Intek Group shares were purchased at 0.22% of the capital represented by this class of shares and 0.19% of the total share capital.

As at the date of this Report, the Company holds 5,859,746 ordinary shares equal to 1.70% of the voting capital and 1.48% of the total capital and 978,543 savings shares equal to 1.95% of the share capital represented by that class of shares and 0.247% of the total share capital. The subsidiary KME Partecipazioni holds 2,512,024 Intek Group saving shares equal to 5.013% of the share capital represented by that class of shares and 0.635% of the total share capital.

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

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

10. Management and coordination activity

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

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

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

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

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

11. Shareholders’ agreements of investees

ErgyCapital SpA

As far as companies which are not part of the copper sector are concerned, it is noted that until 21 January 2015 there was a shareholders’ agreement between KME Partecipazioni S.p.A. (which replaced Intek Group S.p.A.) and Aledia S.p.A. (hereinafter “Aledia”), which is significant pursuant to article 122 of the TUF, on the ordinary shares of the investee ErgyCapital S.p.A. and which had originally been concluded on 10 December 2007 between iNTEk S.p.A. and Aledia and subsequently amended and supplemented on 25 February 2010. Then it was further amended following the 2010 Demerger and the transfer of the Equity Investments to KME Partecipazioni S.p.A. in 2011.

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

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

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

Subsequently, on 21 October 2013 the expiration of the shareholders' agreement was extended to 21 January 2015, attributing to each party the right to withdraw from the agreement with notification provided in writing at least 15 days before, beginning from 15 April 2014, with the other terms and conditions remaining unchanged.

The agreement definitively expired on 21 January 2015.

The agreements, their amendments and termination, were communicated to CONSOB and are on file with the Business Register of Rome.

Cobra Automotive Technologies S.p.A.

A "shareholders' agreement" which is relevant to article 122 of the TUF and functional in terms of the objective of creating better conditions under which to increase the potential for the development and increase in the value of Cobra AT was signed between the Company and the other major shareholder of Cobra AT, Cobra SM S.p.A..

The equity investment in said company was held through KME Partecipazioni S.p.A. and, following the sale of the equity investment to Vodafone on 8 August 2014, the aforementioned shareholders' agreement terminated on that date as well.

The agreements, their amendments and termination, were communicated to CONSOB and are on file with the Varese Company Register.

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

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

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

The text of the Corporate Governance Code is available at Borsa Italiana S.p.A. and can also be viewed at www.borsaitaliana.it (section: "Regolamenti – *Corporate Governance*").

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

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

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

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

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

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

4. Board of Directors

4.1 Appointment and replacement of Directors

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

It is hereby noted that the extraordinary shareholders' meeting held on 11 June 2014, which resulted in amendments to the articles of association, adjusted article 17 to the discipline referring to the equilibrium between genders in the composition of the administration and control bodies as introduced by law 120 of 12 July 2011 and the relative implementing provisions.

Directors’ terms may not be longer than three years and they may be re-elected (article 17 of the Articles of Association).

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

The number of Directors may vary between a minimum of seven and a maximum of eleven.

The procedure pursuant to article 17 of the Articles of Association requires that:

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders’ Meeting, so that they are available at least 21 days beforehand at the registered offices, on the Company’s website and through Borsa Italiana S.p.A.;
- the percentage interest required for presentation of lists be equal to the highest level identified between the level indicated pursuant to article 144 quarter of the Issuers' Regulation and the one defined by Consob. To this end based on paragraph 2 of the aforementioned article 144 quater of the TUF, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its resolution 19109 of 28 January 2015;
- when counting votes, the lists which have not obtained a percentage of votes equal at least to one half of the percentage required to submit a list, shall be ignored;
- one Director shall be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list shall indicate the candidates to the office as “Independent Directors” and article 17 of the Articles of Association provides that they are at least equal to the “minimum number and meet the conditions required by law”;
- the prerequisite for Directors to be considered as independent shall be assessed pursuant to article 147-ter, paragraph 4 of the TUF as well as article 148 paragraph 3 of the TUF, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Corporate Governance Code.

- the selection of the directors to be elected be based on criteria that ensure equilibrium between the genders. The least represented gender must constitute at least one fifth of the directors elected on the occasion of the first mandate subsequent to 12 August 2012 and, one third subsequently, in any case rounded upwards.

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

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

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

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

It is hereby reiterated that the holders of the SFPs had until 20 March 2015, the voluntary redemption date of the SFP for individuals would had not participated in the OPS, to appoint a member of the Board of Directors who covered the independence requirement pursuant to article 148, paragraph 3 of the TUF (art. 26 quinquies of the articles of association – Administrative Rights).

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

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

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

4.2 Composition of the Board of Directors

The current Board of Directors was appointed by the Shareholders' Meeting on 28 June 2012 which decided on ten (10) members of the administrative body (the Articles of Association provide for a variable number of directors, the minimum being 7 and the maximum 11).

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

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

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

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

On 14 May 2013, following the resignation of Giancarlo Losi, pursuant to article 2386 of the civil code the Board of Directors coopted Ruggero Magnoni who remained in office until the shareholders' meeting held on 11 June 2014 and appointed a new director, Salvatore Bragantini, who will remain in office until the expiration of the board's mandate.

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

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

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

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

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

It is hereby reiterated that the extraordinary shareholders meeting held on 11 June 2014 had, among other things, adjusted the articles of association to the applicable laws regarding equilibrium between the genders in the composition of the administrative and control bodies.

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

Following is the information relative to all the Directors that were in office during 2014.

Vincenzo Manes (Chairman)

Vincenzo Manes was born in 1960 and holds a degree in Economics and Business. He is the Chairman of Intek Group S.p.A., I2 Capital Partners SGR and Fondazione Vita, as well as a Shareholder of Quattroduedue Holding B.V. in addition to being a member of the Supervisory Board.

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

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

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

Diva Moriani (Deputy Chairwoman)

Ms. Diva Moriani who was born in 1968, holds a degree in Economics and Business and joined iNTEk in 1999 and she was appointed a director of the company in 2002, she became Deputy Chairwoman in 2007 until the date of the merger. She is director in ErgyCapital S.p.A. Until 2014 she was a director of I2 Capital Partners SGR S.p.A., a company of which she was the CEO until 1 December 2012, and she is also a director of Cobra Automotive Technology S.p.A. and ErgyCapital S.p.A. In its meeting of 28 June 2012, the company’s Board of Directors confirmed her appointment as the Deputy Chairwoman, granted for the first time in 2010, attributing executive powers to her. She joined the Board of Directors of Intek Group on 27 April 2005.

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

In 2014, Moriani was appointed a director and member of the remuneration and nomination committees of ENI SpA and a director and chairman of the remuneration and nomination committees and a member of the internal control committee of Moncler S.p.A.

Mario d'Urso (independent)

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

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

Marcello Gallo

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

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

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

Giuseppe Lignana (independent)

Giuseppe Lignana was born in 1937 and holds a degree in Electronic Engineering, he was CEO of CEAT Cavi SpA and a Director at Banca Commerciale Italiana SpA SIRTI SpA. He joined Cartiere Burgo SpA in 1984, and was the General Manager, CEO and ultimately Chairman thereof until 2004; he is now the Honorary Chairman.

He joined the Board of Directors on 12 January 2005.

Alberto Pirelli (independent)

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

He joined the Board of Directors on 27 October 2000.

James Macdonald

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

He has been a member of the Board of Directors of Intek S.p.A, from 1996 to 2012.

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

Ruggero Magnoni (left office on 11 June 2014)

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

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

Luca Ricciardi

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

He is currently the administrative manager of the Liguria Region Sanitation System and is in charge of financial statements after having followed the budget and planning for several years. He was an independent director and member of the Internal Control Committee of Intek SpA from 2011 to 2012.

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

He has been a director of Intek Group S.p.A. since 30 April 2013.

Franco Spalla

Born in 1952, he received his degree in Business Administration from University of Turin.

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

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

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

A table showing positions as director or statutory auditor held by each of them at 31 December 2014 in other joint-stock companies, limited partnerships and private limited companies is set out below.

Name	Company	Position
Vincenzo Manes		
	Intek Group SpA (2)	Chairman of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR SpA (1)	Chairman of the Board of Directors
	Fondazione Laureus Sport for Good Italia	Member of the Board of Directors
	Fondazione Vita	Member of the Board of Directors
	Uman Foundation	Supporting Partner
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Foundation "Seriuosfun Children's Network" "	Member of the Board of Directors
	Committee to Encourage Corporate Philanthropy	Member of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME A.G. (1)	Member of the Supervisory Board
	Fondazione Italia per il dono	Member of the Board of Directors
Diva Moriani		
	Intek Group SpA (2)	Deputy Chairman of the Board of Directors
	ErgyCapital S.p.A. (2)	Member of the Board of Directors
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	KME A.G. (1)	CEO
	KME Srl (1)	Member of the Board of Directors
	Moncler SpA	Member of the Board of Directors - Chairman of the remuneration and nominations committee and a member of the internal control committee
	ENI SpA	Member of the Board of Directors –member of the remuneration and nominations committees
Salvatore Bragantini		

(***)		
	Intek Group SpA (2)	Member of the Board of Directors
	Sabaf SpA (2)	Independent Member of the Board of Directors – member of the internal control committee
	Soc.esercizi aereoportuali SEA SpA	Chairman of the Board of Directors – member of the internal control committee
	PerMicro SpA	Member of the Board of Directors
	Extrabanca SpA	Member of the Board of Directors
	Univbersità degli studi di Milano	Member of the Board of Directors

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

Marcello Gallo		
	FEB - Ernesto Breda SpA (1)	Chairman of the Board of Directors
	Intek Group SpA (2)	Member of the Board of Directors
	I2 Capital Partners SGR SpA (1)	CEO
	Intek Investimenti S.r.l. (1)	Chairman of the Board of Directors
	ISNO 3 S.r.l.	Chairman of the Board of Directors
	ISNO 4 S.r.l.	Chairman of the Board of Directors
	KME A.G. (1)	Member of the Supervisory Board
	Bredafin Innovazione S.p.A. (in liquidation) (1)	Receiver
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Nuovi Investimenti SIM SpA	Chairman of the Board of Directors

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

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

Ruggero Magnoni **(**)**		
	APLOMB Srl	Member of the Board of Directors
	Omniainvest SpA	Member of the Board of Directors
	Raffaele CARUSO SpA	Member of the Board of Directors
	Compagnie Financiere Richemont SA	Member of the Board of Directors
	Compagnie Financiere Rupert	Member of the Board of Directors
	FIZZ Beverage Sarl	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione G. e M.C. Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia	Founding Member and Chairman and CEO
	IMMSI S.p.A.	Member of the Board of Directors
	Istituto Javette Bocconi Manca di Villahermosa Ass."Amici della Bocconi"	Member of the Consulting Committee
	M&M Capital Ltd	Chairman
	Quattroduedue Holding BV	Supervisor Director
	Università Bocconi – Fondazione Partnership per Bocconi	Member of the Consulting Committee
	Trilantic Capital Partners Europe	Member of Advisory Council
	Lehman Brothers Foundation Europe	Trustee
	The Westminster Trust	Protector

Alberto Pirelli		
	Pirelli & C. SpA (2)	Deputy Chairman of the Board of Directors
	Intek Group SpA (2)	Member of the Board of Directors
	Turk-Pirelli Lastikleri A.S.	Deputy Chairman of the Board of Directors
	Fondazione Pirelli	Member of the Board of Directors
	Pirelli Tyre S.p.A.	Deputy Chairman of the Board of Directors
	Nuove Partecipazioni SpA	Member of the Board of Directors
	FIN.AP di Alberto Pirelli & C. S.a.p.a.	General Partner
	Alexandra Tire Company SAE	Director
	Dosso 5 S.r.l.	Sole Director

Luca Ricciardi ***(*)***		
	Intek Group S.p.A. (2)	Member of the Board of Directors

Franco Spalla (*)		
	BasicNet S.p.A. (2)	CEO
	AnziBesson Trademark S.r.l.	CEO

Fashion S.p.A.	CEO
Jesus Jeans S.r.l.	CEO
Basic Italia S.p.A.	Member of the Board of Directors
BasicNet Asia Ltd	Chairman of the Board of Directors
Basic Properties BV	Chairman of the Board of Directors
Basic Properties America Inc.	Member of the Board of Directors
Basic Trademark SA	Member of the Board of Directors
Superga Trademark SA	Member of the Board of Directors
Intek Group SpA (2)	Member of the Board of Directors

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

(2) company listed in a regulated market;

(*) in office from 30 April 2013;

(**) in office from 14 May 2013 to 11 June 2014;

(***) in office from 11 June 2014.

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

Furthermore, during 2014 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Legislative Decree 469 of 11 November 1998).

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

Maximum offices covered in other companies

The Board of Directors considers that it shall not discretionally limit the number of offices that each director may occupy, subject to the rights afforded by the law and the regulations, with respect to:

- the personal and professional qualifications of its members;
- the number and significance of the offices listed above;
- the high participation of their own members in the meetings of the Board of Directors;

Induction Programme

In light of the skills and know-how and the adequate knowledge of the business segments in which the Company operates, its corporate dynamics and the evolution, as well as the regulatory framework of reference, which the Directors, after their appointment and in line with their mandate have proven to possess, the Company did not consider it necessary to establish training programs for them. This is also due to the information, data and documents that are provided to the directors at the various Board meetings in which information is periodically provided regarding the performance of the group business and resolutions of a strategic nature are made therein.

4.3 Role of the Board of Directors

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

The Board of Directors is also a vested with the powers set forth under art. Article 2365, par. II of the Italian civil code, as provided by article 14 of the Articles of Association.

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

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

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

The Board of Directors financial reporting responsibilities are to present:

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

During 2014, the Board of Directors met 7 times.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This procedure did not bring to light any critical areas.

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

On the occasion of its meeting of 27 April 2015, the Board of Directors examined the positive opinion expressed by the aforementioned committee in this regard.

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

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

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

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

4.4 Delegation of powers

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

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

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

Pursuant to Art. 16 of the Articles of Association, the Deputy Chairwoman replaces the Chairman in his temporary absence and/or impediment.

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

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

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

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

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

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

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

4.5 Other executive directors –Managers with delegations

There are no other directors holding management delegations or who were considered as executive pursuant to the Application Criterion 2.C.1 of the Code.

It is however noted that based on a special power of attorney dated 19 December 2012, which was subsequently supplemented on 29 July 2014, the Chairman attributed to the Director of Legal and Corporate Affairs, Mr. Roberto de Vitis, and the Administrative Director, Giuseppe Mazza, powers of ordinary administration to be exercised by single signature for transactions up to Euro 100 thousand and Euro 500 thousand, and with joint signature for transactions up to Euro 1 million.

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

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

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

Regarding the equity investments in other sectors, we reiterate the following:

- ErgyCapital: in May 2014, as part of the restructuring plan, the Chairman and CEO Vincenzo Cannatelli renounced the operating powers conferred upon him as a CEO, keeping only the office of Chairman of the Board of Directors. The Board therefore ap Mr.pointed Mirko Duranti as General Manager, attributing to him the same powers for management of the company. In addition to the chairman Cannatelli, the following persons are also members of the Board of Directors: Diva Moriani, Giancarlo Losi, Nicolò Dubini and Fabio Tomassini, the last two as Independent Directors.
- Cobra Automotive Technologies: as already indicated previously, this equity investment was sold to Vodafone in August 2014. Until that date. Ms. Diva Moriani was a member of that company's Board of Directors.

* * *

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

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

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

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

4.6 Independent Directors

The current Interk Group Board of Directors is made up of 5 (five) independent directors.

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

It is hereby noted that the assessment is made on the date of the respective appointments made by the Shareholders' Meetings and therefore repeated as part of the procedures for approval of the financial statements at 31 December 2014.

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

4.7 Lead Independent Director

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

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

Furthermore, the following elements must be considered:

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

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

5. Processing of company information

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

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

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

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

It is hereby noted that this procedure was implemented in the first half of 2014 so as to render it more appropriate insofar as the various business of the Group.

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

6. Committees within the Board of Directors

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

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

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

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

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

7. Appointments Committee

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

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

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

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

8. Remuneration Committee

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

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

9. Remuneration of the Directors

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

10. Control and Risk Committee

The Control and Risks Committee is appointed by the Board of Directors and is responsible for the system of internal control. The members of the Committee are Mario d’Urso (Chairman), Giuseppe Lignana and Luca Ricciardi; the latter was appointed by the Board of Directors meeting held on 14 May 2013 to replace the departing director, Alberto Pirelli.

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

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

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

- assesses the independent audit plan, the findings reported and any letters of recommendations;
- oversees that the audit process is effective.

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

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

The Committee met four times in 2014, compared to five in the previous year, and the participation of its members amounted to 100 %.

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

It met just once in 2015; its upcoming meetings are not scheduled.

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

11. Control and Risk Management System

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

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

In consideration of art. 123 bis, par. 2 b), regarding the reliability of the financial disclosures, including consolidated information, the company began a project in December 2006 which was placed under the responsibility of the executive responsible for financial reporting pursuant to article 154 bis of the TUF and the supervision of the Control and Risks Committee with the assistance of Ernst & Young, which aimed to verify the internal control system insofar as the financial disclosures of the group in order to align it to international standards and ensure fulfilment of the compliance requirements of the "Savings Law" no. 262/05. With the 2008 financial statements, the entire adjustment was completed and the implementation verifications were carried out as well. Thereafter the control system implemented in this manner is periodically updated and repeated based on the certifications issued in the reports for the periods of reference (half year and annual).

The Intek Group administrative – accounting internal control system, focused on the management of risks inherent in financial disclosures, must not be considered separately from the CRMS of which it is an integral part, though it is able to stand autonomously, due to reasons of operating efficiency, as part of the program for compliance with the requirements under article 154 – bis of th TUF of the executive responsible for financial reporting.

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

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

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

The COSO Report also indicates the essential components of a system with reference to the following areas:

- control environment: the basis of the system characterised by the responsive attitude of the Company’s management to procedures and structure (formalisation of roles, tasks, responsibilities, internal communication systems and the timeliness of information) consistent with corporate strategies and objectives;
- risk assessment: management’s identification and analysis of risks involved in the achievement of predefined objectives as well as the determination of risk management methods;
- control activities: the methods, procedures and practices used to define and implement the controls for the purposes of mitigating risks and ensuring the achievement of targets set by management;
- information and communication: support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- monitoring system: the activity performed by various parties in the company for the ongoing control of the proper functioning of the System in order to overcome critical contingencies and to provide for the maintenance, updating and improvement of the System.

Description of the main characteristics of the administrative – accounting internal control system

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

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

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

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

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

- verification of the efficacy of the design and the actual effectiveness of the controls through testing, on a sampling basis pursuant to international best practices by the executive responsible for financial reporting assisted by a major auditing firm and internal staff;
- identifies any backup controls, remedies or improvement plans in the activities of control monitoring.

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

The Internal Control and Risk Management system was further strengthened in the reference period pursuant to the compilation of the Internal Audit Plan approved on 5 August 2014, which is based on an assessment of the risks inherent in Intek Group S.p.A. which was carried out by the Internal Audit Department. Indeed, this risk assessment was in support of the Control and Risk Committee under the director in charge of supervising internal control, the Board of Directors as a whole, and the internal control supervisors to the extent of their responsibilities within the internal control and risk management system, allowing the major risks to be identified, in addition to the administrative – accounting area and in compliance with Legislative Decree 231/2001, setting the basis for the risks to be adequately measured, managed and monitored and determining the compatibility of these risks with the risk profile in place.

After the reference area of the internal audit process was defined, it was possible for a mandate to be issued for the internal auditing department and to apply the standards (including ISO 31000 on risk management specifically for identification and assessment of risks) and the best practices. The area thus outlined consists of business and support processes existing within Intek Group, each of which is characterized by its own specific objectives and the relative uncertainties (risk) that could compromise or, vice versa, facilitate achievement of these objectives.

The risk assessment carried out focused on the objectives (and risks) belonging to the operations and compliance areas, excluding from the latter area the particular portions which are already covered by specific assessment processes and the risk management area in general (e.g. law 231/2001; 81/08, etc.). Similarly, as indicated above, the administrative – accounting area was excluded from the internal audit process as it is already covered in terms of risk assessment and internal controls through the specific program required by law 262/2005 supporting the executive responsible for financial reporting.

In accordance with standard ISO 31000, risk assessment is a process and as such the company has planned its completion and continued updating, also based on the results of the verifications carried out, and as a function of the changes in the reference environment.

b) Related roles and company units

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

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

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

As part of his duties, the executive responsible for financial reporting supervises the identification of the main corporate risks (strategic, operating, financial and compliance) taking into account the characteristics of the activities carried out by the company and its subsidiaries and periodically submitted them for examination by the Board (application criterion 7.C.4 a);

He furthermore implemented, together with the internal control supervisors, and based on the guidelines defined by the Board, the internal control and risk management system, following its design, realization and management and constantly verifying its adequacy and efficiency.

He followed the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory scenario.

As part of the mandate conferred upon him, the executive responsible for financial reporting is entitled to request the internal audit department manager to carry out verifications on specific operating areas, in compliance with the rules and internal procedures regarding the execution of corporate operations, concurrently reporting to the chairman of the control and risks committee and the chairman of the board of statutory auditors.

Finally, where this became necessary, he immediately reported to the control and risk committee and the Board of Directors regarding any problems or critical areas which arose during the execution of his work or which he became aware of, so that the committee (or the Board) could take the appropriate actions.

11.2 Head of Internal Control

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

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

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

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

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

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

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

11.3 Organisational model pursuant to Legislative Decree 231/2001

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

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

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

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

During this activity, the company updated the procedures referring to internal dealing, insider information and the transactions with related parties, compiled by the administrative offices together with the Internal Control Department and verified, with the opinion in favour of the Supervisory Body and the Controls and Risks Committee together with the Board of Statutory Auditors. Intek Group subsidiaries of strategic importance in turn have their own organizational models and supervisory bodies.

An extract of the model can be viewed on the website www.itkgroup.it, in the profile section.

11.4 Independent Auditors

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

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

The person in charge of the mandate for the audit company is Mr. Roberto Fabbri, who during 2014 replaced Piero Bianco who has held this position since 26 February 2013, for the audit of the year ended 31 December 2012, Article 17, paragraph IV of Legislative Decree 39 of 27 January 2010 (the **"Consolidated Audit Law")** sets the maximum duration for such an office at six years.

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

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

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

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

It is hereby noted that the shareholders' meeting that will approve the financial statements at 31 December 2014 will also be called upon to approve the appointment of the new audit firm for 2016 until 2025. The Company opted to carry out the procedure for the selection of the new audit firm early in order to allow for adequate transition time, according to the now established practice of most listed Italian companies. This will allow the new audit company to organize the time for management of the transition while allowing other group companies to align their selections insofar as auditors so as to have, where possible, one for the entire group.

11.5 The Manager in charge of Financial Reporting and other corporate roles and functions

In its meeting on 14 May 2013, and following the resignation submitted by Marco Miniati, in charge since 21 June 2007, the Board of Directors, based on the favorable opinion of the Board of Statutory Auditors, appointed Mr. Giuseppe Mazza in consideration of the professional requirements, characteristics and skills he offers, granting him the appropriate powers and means to exercise the duties assigned to him as the new Manager in Charge of Financial Reporting.

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

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

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

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

The sharing of information generated in the various areas of activity is ensured through a structured information flow which all individuals with duties within the internal control system and the risk management system can actively participate in, including insofar as the functions carried out by the Control and Risk Committee, the Board of Statutory Auditors and the Executive in charge of financial reporting.

This information flow will be coordinated on the occasion of the meetings of the Control and Risk Committee, which all involved corporate functions participate in.

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

12. Interests of Directors and Transactions with Related Parties

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

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

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

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

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

Related parties are those indicated by CONSOB, but the Board of Directors has identified as "Key management personnel" (under the CONSOB definition contained in the "Related Parties Regulation") also the executive directors of KME A.G., KME Partecipazioni and I2 Capital Partners SGR, extending application of the procedure to them.

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

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

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

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

This includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Internal Regulations are not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
2. other transactions lower than Euro 100,000 with natural persons and no higher than Euro 500,000 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;
3. The so called "Remuneration plans", based on financial instruments, approved by the Shareholders' Meeting, pursuant to article 114 bis, of TUF and the related executive transactions;
4. resolutions regarding the remuneration of Directors invested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this issue as set out in article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;
5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;
6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within such subsidiaries or associates there are no interests, qualified as significant pursuant to the Internal Regulations, of other related parties of the Company.

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

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

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

1. the mere sharing of one or more directors, or key management personnel, between the Company and its subsidiaries and associates;
2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the remuneration of key management personnel that is no greater than Euro 200,000.00, calculated cumulatively on a yearly basis, between subsidiaries

and associates, on the one hand, and other related parties of the Company, on the other hand and that, in any case, impact, or are impacted by, the transaction in question;

3. the existence of Incentive plans based on financial instruments or, in any case, on variable renumeration, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are directors or key management personnel, also of the Company, and when the transaction in question is less than 5% of the results achieved by the subsidiaries and associates, on which the incentives are calculated;
4. when the party that controls the Company hold investments in the subsidiary or associate, if the effective weight of that equity investment is not higher than the effective weight of the equity investment owned by the same party in the Company.

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

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

- on the individual transactions of greater importance finalised during the reporting period;
- on any other individual transactions with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, also finalised during the accounting period, which have had a relevant impact on the financial position or on the results of operations of the Company;
- on any change or development regarding transactions with related parties, which were described in the last Annual Report and that have had a relevant impact on the financial position or on the results of operations, during the reporting period.

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

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

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

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

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

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

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

This procedure can be viewed on the website www.itkgroup.it in the "governance/related parties" section.

13. Appointments of the Statutory Auditors

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

Article 22 of the Company Articles of Association, which is entirely dedicated to the Board of Statutory Auditors, sets out the requirements of personal integrity and professionalism as well as the procedure for their appointment which includes:

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders' Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana S.p.A.;

  The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.

- if during this time period only one list is presented or lists which are connected among themselves are presented pursuant to applicable laws, lists can be submitted up to the third day subsequent to the expiration day of the submission at the registered offices. In this case, the threshold is reduced to one half;
- the presence in the list of one alternate auditor designated by minority Shareholders as a substitute, if required, for the auditor also selected from a minority Shareholder list, should the latter no longer be in office
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholders with the largest interest percentage or, subordinately, the highest number of Shareholders, shall be deemed elected.
- shareholders who, alone or together with others, hold an equity investment, in ordinary shares, equal to the highest percentage identified in article 147 ter par. 1 of the TUF, in respect of the provisions, can submit lists. Based on par. 2, Art. 144 quarter of the TUF, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its resolution 19109 of 28 January 2015;
- lists with a total number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that the least represented gender on the list totals at least one fifth at the time of the mandate subsequent to 12 August 2012 and thereafter one third (rounded up). This applies to standing as well as alternate auditors.
- In the event of the replacement of an auditor, the replacing alternate auditor must belong to the same list as the departing auditor, pursuant to the gender equilibrium laws applicable from time to time.

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

The provisions of the articles of association relative to the appointment of the Board of Statutory Auditors are available in the specific section of the website www.itkgroup.it and we reiterate that the procedure has been updated and made compliant with the new applicable provisions, the latest based on the resolution of the extraordinary shareholders' meeting held on 11 June 2014, with resolutions of the Board of Directors from its meeting on 11 November 2010, and the shareholders' meeting held on 28 April 2011.

14. Composition and functions of the Board of Statutory Auditors

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

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

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

To this end, it is hereby reiterated that currently, this percentage for Intek Group is equal to 4.5% pursuant to the Consob resolution 19109 of 28 January 2015.

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

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

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

The names of all the members of the Board of Statutory Auditors in office during 2014 are listed below with a brief curriculum vitae, which is also available on the website **www.itkgroup.it**.

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

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

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

Francesca Marchetti (Standing Auditor)

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

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

Alberto Villani (Standing Auditor)

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

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

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

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

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

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

Andrea Zonca (Alternate Auditor)

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

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

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

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

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

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

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

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

The Board of Statutory Auditors carries out functions and responsabilities according to the Italian Civil Code. Pursuant to art. 2402, para 1, of the Italian Civil Code the Board of Statutory Auditors oversees compliance with the law and the Company Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administration and accounting structure of the Company as it actually functions.

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

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

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

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

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

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

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

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

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

During 2014, the Board of Statutory Auditors met 6 times, as in the previous year; participation in the meetings by the members was 94.4% (compared to 94% the previous year). The average duration of the meetings of the Statutory Auditors was approximately 2 hours

Absences of the Statutory Auditors were always justified.

During 2014, the Statutory Auditors met 1 times.

In 2014, the Board of Statutory Auditors, represented by its chairman, Marco Lombardi and the standing auditors Francesca Marchetti and Alberto Villani, took part in all the meetings of the Control and Risk Committee, with concurrent coordination of the information flows insofar as the respective functions of the Board itself, the internal auditing department manager, the executive in charge of financial reporting, the auditing firm and the executive managers of the company.

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor at 31 December 2014 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	Company	Position
Marco Lombardi		
	RECS S.r.l.	Sole Director
	IMI Fondi Chiusi Sgr S.p.A.	Member of the Board of Directors
	Brandini S.p.A	Chairman of the Board of Statutory Auditors
	Associazione Palazzo Strozzi	Chairman of the Board of Statutory Auditors
	INTEK Group S.p.A. (2)	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. (1)	Standing auditor
	Editoriale Fiorentina S.r.l.	Standing auditor
	Fondazione Angeli del bello	Member of the Auditing Board

Name	Company	Position
Francesca Marchetti		
	Ergycapital SpA (1) (2)	Standing auditor
	INTEK Group SpA (2)	Standing auditor
	NI Nuova Investimenti SIM S.p.A.	Standing auditor
	Alpi Fondi SGR S.p.A.	Standing auditor

Name	Company	Position
Alberto Villani		
	INTEK Group S.p.A. (2)	Standing auditor
	AGB N.M.R. Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing auditor
	Bennet Holding S.p.A.	Standing auditor
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Calvi S.p.A.	Managing Director
	CIG S.p.A.	Chairman of the Board of Statutory Auditors
	Compagnia Padana per Investimenti S.p.A.	Alternate auditor
	Combi Line International S.p.A.	Standing auditor
	De Longhi S.p.A.	Standing auditor
	De Longhi Capital Services S.r.l.	Standing auditor
	De Longhi Appliaances S.r.l.	Standing auditor
	Dentro il Sole S.p.A.	Chairman of the Board of Statutory Auditors
	FEB Ernesto Breda S.p.A. (1)	Chairman of the Board of Statutory Auditors

Finmeg S.r.l.	Standing auditor
Fratelli Consolandi S.r.l.	Chairman of the Board of Statutory Auditors
Gallerie Commerciali Bennet S.p.A.	Standing auditor
GCG Scarl in liquiazione	Receiver
Glunz & Jansen Degraf S.p.A.	Chairman of the Board of Statutory Auditors
HDP S.p.A.	Chairman of the Board of Statutory Auditors
I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Statutory Auditors
Immobiliare Andronica S.p.A.	Alternate auditor
ISNO 3 S.r.l. (1)	Chairman of the Board of Statutory Auditors
Kiepe Electric S.p.A.	Standing auditor
Lambda Stepstone S.r.l.	Standing auditor
Meg Property S.p.A.	Standing auditor
Nielsen TAM S.r.l.	Chairman of the Board of Statutory Auditors
Nuova GS S.p.A. (1)	Standing auditor
Over Light S.p.A.	Standing auditor
P Group Srl in liquidazione	Alternate auditor
Quattroduedue S.p.A. (1)	Chairman of the Board of Statutory Auditors
Royal Immobiliare S.r.l.	Sole Director
Selecta S.p.A.	Chairman of the Board of Statutory Auditors
Selecta Digital Services S.p.A.	Chairman of the Board of Statutory Auditors
Selecta Taas S.p.A.	Chairman of the Board of Statutory Auditors
Sireg S.p.A.	Standing auditor
SO.SE.A. S.r.l.	Director
Steelma S.p.A. in liquidation	Standing auditor

Lorenzo Boni		
	KME Italy S.p.A.(1)	Standing auditor

Andrea Zonca		
	Fidiger S.p.A.	Chairman of the Board of Statutory Auditors
	Immobiliare Cerreto S.p.A.	Chairman of the Board of Statutory Auditors
	Erich Weitzmann S.p.A.	Director
	So.Se.Co. S.r.l.	Director
	Arsonsisi S.p.A.	Standing auditor
	Dalmar S.p.A.	Standing auditor
	Dalmar Impianti S.p.A.	Standing auditor
	Axxam S.p.A.	Standing auditor
	Environnement Italia S.p.A.	Chairman of the Board of Statutory Auditors
	Eos S.p.A.	Standing auditor

GreenItaly1 S.p.A. (2)	Standing auditor
ISNO 3 S.r.l.	Standing auditor
Magnetor S.r.l.	Standing auditor
Over Light S.p.A.	Standing auditor
Tankoa Yachts S.p.A.	Standing auditor
Azienda Agricola Querciabella S.p.A.	Standing auditor
Romeo Maestri & Figli S.p.A.	Standing auditor
Safim Leasing SpA in LCA	Chairman of the Board of Statutory Auditors
Sireg S.p.A.	Standing auditor
Trustfid S.p.A.	Chairman of the Board of Statutory Auditors
U.F.M. S.p.A. in Liquidazione	Standing auditor

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

(2) company listed in a regulated market;

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

(**) in office from 30 April 2013.

15. Investor Relations

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

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

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

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

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

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

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

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

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

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

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

During 2014, the website www.itkgroup.it, which is available in Italian as well as in English, had over 30 thousand hits by over 18 thousand visitors with over 111,000 pages viewed.

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

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

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

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

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

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

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

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

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

By virtue of the measures thus adopted which makes it possible to provide easily accessible information and the contained size of the company, a special structure in charge of managing shareholder relations has not been established, as the information provided by the administrative offices of the Company which are from time to time put in charge of requests from the shareholders has been effective to this end.

16. Shareholders' Meetings

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

The implementation of EU Directive no. 36/2007, commonly known as the "shareholders' rights directive", has profoundly changed the provisions regarding the involvement of Shareholders in the activities of listed companies. Additional amendments were introduced by Legislative decree 91 dated 18 June 2012 and subsequent amendments.

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

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

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

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

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

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

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

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

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

The above-mentioned article in the Articles of Association contains the provisions on how to exercise the vote by correspondence.

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

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

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

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

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

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

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

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

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

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

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

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

The company has not considered it necessary to compile a specific regulation on conducting shareholders' meetings, as the appropriate measures for the orderly and functional unfolding thereof is already provided for in the articles of association, under article 12 covering the powers of the Chairman of the shareholders' meeting.

In 2014, a single ordinary and extraordinary shareholders' meeting was held, which was attended by six directors.

At that time, the Board of Directors provided adequate information on the activity carried out and which has been planned providing the shareholders with any element required for full knowledge of the information required for the decisions to be made by the shareholders' meeting.

All the information regarding the disclosures on the operating procedures of the remuneration committee was provided within the specific report submitted for examination by the shareholders' meeting.

Additions to the Agenda and presentation of new resolution proposals

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

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

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

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

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

Request to call Shareholders' Meeting

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

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

17. Other Corporate Governance Issues

Internal Dealing code

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

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

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

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

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

Personal data protection

Regarding the protection of personal data, it should be noted that article 45, paragraph 1.d of Legislative Decree no. 5 of 9 February 2012 has eliminated the requirement to prepare a "Security Policy Document." The external Data Processing officer has been identified by the Company's Chairman.

18. Changes after the year end

There have been no significant changes since the end of the reporting period, other than those referred to in this Report.

Table 3

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS											CONTROLS AND RISKS COMMITTEE		REMUNERATION COMMITTEE	
Position	**Member**	**Serving from**	**Serving until**	**List (M/m) ***	**Executive**	**Non-executive**	**Inde-pen-dent as per Code**	**Inde-pen-dent as per TUF**	**% ****	**Number of other positions *****	********	******	********	******
Chairman	**Vincenzo Manes**	**28.06.2012**	**31.12.2014**	**M**	**X**				**85.7**	**4**				
Deputy Chairwoman	**Diva Moriani**	**28.06.2012**	**31.12.2014**	**M**	**X**				**100**	**6**				
Director	**Salvatore Bragantini**	**11.06.2014**	**31.12.2014**	**M**		**x**			**75**	**4**				
Director	**Mario d'Urso**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**X**	**71.4**	**1**	**x**	**100**	**x**	**100**
Director	**Marcello Gallo**	**28.06.2012**	**31.12.2014**	**M**		**x**			**100**	**5**				
Director	**Giuseppe Lignana**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**X**	**100**	**= =**	**x**	**100**	**x**	**100**
Director	**James Macdonald**	**30.04.2013**	**31.12.2014**	**M**		**x**			**85.7**	**2**				
Director	**Alberto Pirelli**	**28.06.2012**	**31.12.2014**	**M**		**x**	**x**	**x**	**71.4**	**5**		**100**	**x**	**100**
Director	**Luca Ricciardi**	**30.04.2013**	**31.12.2014**	**M**		**x**	**x**	**X**	**100**	**= =**	**x**	**100**		
Director	**Franco Spalla**	**30.04.2013**	**31.12.2014**	**M**		**x**	**x**	**X**	**100**	**1**				
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----														
Director	**Ruggero Magnoni**	**14.05.2013**	**11.06.2014**	**M**		**X**			**66.6**	**3**				

Indicate the quorum required for the presentation of lists for the most recent appointment: 4.5%			
Number of meetings held during the year	***Board of Directors*** ***7***	***Control and Risks Committee:*** ***4***	***Remuneration Committee:*** ***2***

Notes

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

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

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

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

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

Table 4

Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS

Position	Member	Serving from	Serving until	List (M/m) *	Independence as per Code	% **	Number of other positions***
Chairman	Marco Lombardi	28.06.2012	31.12.2014	M	x	100	
Standing auditor	Francesca Marchetti	28.6.2012	31.12.2014	M	x	100	3
Standing auditor	Alberto Villani	30.04.2013	31.12.2014	M	x	83.33	
Alternate auditor	Lorenzo Boni	30.04.2013	31.12.2014	M	x	==	
Alternate auditor	Andrea Zonca	30.04.2013	31.12.2014	M	x	==	
---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------							
Indicate the quorum required for the presentation of lists for the most recent appointment: 4.5%							
Number of meetings held during the year: 6							

Notes

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

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

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

<u>Table 5</u>

Other provisions of the Corporate Governance Code

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

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

INTEK GROUP

2014

REPORT ON REMUNERATION

Prepared pursuant to article 123 -ter and article 84 -quater of Consob Resolution 11971 of 14 May 1999

Board of Directors
of 27 April 2015

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

Dear Shareholders,

For the purpose of increasing the involvement of the shareholders in its determination and strengthening its transparency and coherence, the issue of the remuneration of the members of the corporate bodies has undergone significant legislative interventions. Legislative Decree 259 of 30 December 2010 amended Legislative Decree 58 of 24 February 1998 (hereinafter the "TUF") by introducing article 123 ter which provides for the preparation of the "Report on Remuneration" (hereinafter "the Report").

The "Report on Remuneration" shall be approved by the Board of Directors and filed with the Company's registered offices at least 21 days prior to the annual Shareholders' Meeting held to approve the annual financial statements. Then, the Shareholders' Meeting shall resolve on a specific agenda item, expressing a non-binding vote in favour of or against Section I of the report as identified below. The outcome of the vote is disclosed in a specific section of the Company's web site www.itkgroup.it.

In preparing this report, the Company adhered to the indications set forth in Consob resolution 18049 of 23 December 2011, which had added article 84 quater to the Consob Resolution 11971 of 14 May 1999 (hereinafter the "Issuer's Regulation") and followed the format required therein for the preparation of this document.

According to this layout the "Report on Remuneration" shall be divided into two sections:

- **Section 1**

focusing on the policy adopted by the Company regarding remuneration of the Board of Directors' members, the General Managers and Key management personnel as well as on the adopted procedures and the implementing terms and conditions;

- **Section 2**

focusing on an analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key management personnel, including through the use of specific tables.

The Report includes all information on the remuneration of Directors, key management personnel and of the Board of Statutory Auditors as well. A "remuneration plan" pursuant to article 114 bis of TUF based on financial instruments provided to executive members of the Board of Directors and Executives is hereby included as well.

Reiterating that the company adheres to the Code of Conduct (hereinafter the "Code of Conduct" or the "Code") approved by the Corporate Governance Committee, this report has also been prepared in compliance with article 6 of the aforementioned Code.

Following the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (V edition, January 2015) concerning the "Report on corporate governance and ownership structure", disclosure required by the Corporate Governance Code was included in this report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report, as well.

Again in accordance with the aforementioned indications, the "Report on Governance" and the " Report on Remuneration " are available also from the registered office of the Company and the governance section of the website www.itkgroup.it.. Due to their respective contents and the numerous reciprocal overlapping, it is recommended that they be read and examined jointly.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 27 April 2015.

1 Section 1

1.1 Introduction

Beginning from 2013, with the conclusion of the merger of Intek S.p.A. into KME Group (now the "Intek Group") (hereinafter the **"Merger"**), Intek Group S.p.A. (hereinafter also "Intek Group" or the "Company") has redefined its strategic mission, approach to the market and the new governance structure.

Intek has concentrated on the holding activities - indeed, following the Merger, the investees with their businesses are now a part of the company while they had previously been owned by the merged company - focusing on enhancing the value of its strategic assets through dynamic management of its own equity portfolio.

In particular, the activity involves investment management and new acquisitions both in traditional sectors and in innovative sectors.

The new business strategy is focused on continuous reviewing of the portfolio and assets of the company and the operations represented. Therefore, the yield/resources employed ratio is discussed anew, and solutions are sought for those who do not reach acceptable performance levels and are therefore not in line with the management policies.

Maximisation of the value of the assets managed is therefore achieved by carefully defining business strategies as well as identifying agreements and/or partnership opportunities, the valorisation of individual assets and the performance of extraordinary operations involving the investments held in the portfolio. This strategy has already produced significant results over the last two years, in particular with the recent sale of the equity investment held in Cobra and, for the "copper" sector, with the agreements in China and Great Britain, concluded in the first half of 2014.

Regarding the process of diversifying the company's investments, which has already begun, we note that the traditional "copper" sector, including the production and marketing of copper and copper alloys semi-finished goods (handled by the German subsidiary KME A.G.), which continues to be the Group's industrial core-business, representing over 85% of capital invested, following the merger, was joined by the "financial and real estate asset" area, which includes the private equity activity, carried out mainly through the restricted investment fund I2 Capital Partners and the management of receivables and real estate assets.

Beginning from the interim management statement at 30 September 2014, after the sale of Cobra A.T. S.p.A. ("**Cobra**") which took place in August 2014, the financial asset and real estate operations include also the equity investment in ErgyCapital S.p.A. (hereinafter "**ErgyCapital**"), an investment company listed on the MTA of the Borsa Italiana, held through fully owned subsidiary KME Partecipazioni S.p.A. (hereinafter "**KME Partecipazioni**"), operating in energy from renewable sources and energy savings, previously classified among investments in the "Advanced Services" sector.

Always with the objective of maximizing production efficiency and value for the shareholders, beginning from the second half of 2014, and pursuing strategic alliances with major operators and the sector, the KME Group changed its own organizational structure in order to specialize by business area, with a clear separation of the management of the "special products" (designing of steel plants and production of ingot moulds, not only for steel but also for non-ferrous metals used for ship constructions, maritime plants, industrial chemistry, energy and steel plants) from the standard products (extruded and drawn brass products)

The new mission and the new business strategies, together with a change in the Group's organizational structure influence, as will be seen below, the remuneration policy of Intek Group.

1.2 The Intek Group S.p.A. Governance Model

1.2.1 Corporate bodies

Following the decisions made by the Shareholders' Meeting held on 30 April 2013 and 11 June 2014, the Company's Board of Directors and the Board of Statutory Auditors are composed as follows as at the date of this Report:

Board of Directors

Members	Position held in the Board of Directors	Positions held in Committees	
		Remuneration Committee	Control and Risk Committee
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Salvatore Bragantini	**Director**		
Mario D'Urso	**Lead Independent Director**	√	√ **(Chairman)**
Marcello Gallo	**Director**		
Giuseppe Lignana	**Lead Independent Director**	√	√
James Macdonald	**Director**		
Alberto Pirelli	**Lead Independent Director**	√ **(Chairman)**	
Luca Ricciardi	**Lead Independent Director**		√
Franco Spalla	**Lead Independent Director**		

Board of Statutory Auditors

Members	Carica ricoperta nel Collegio
Marco Lombardi	Chairman
Francesca Marchetti	Standing auditor
Alberto Villani	Standing auditor
Lorenzo Boni	Alternate Auditor
Andrea Zonca	Alternate Auditor

Key managers

For the year 2014, the members of the German subsidiary KME AG's *Vorstand* are considered to be key managers of the INTEK Group. (As at the date of this report these members are: Diva Moriani (Chairwoman) and Italo Romano; Diva Moriani is also the Executive Director of Intek Group. Also the Chairman-CEO of KME Partecipazioni (as at the date of this report the office is held by Gian Carlo Losi) and the CEO of I2 Capital Partners SGR (as at the date of this report the office it is held by Marcello Gallo who is also the Director of Intek Group) are considered to be strategic executives. It is noted that previously, Riccardo Garrè had also been identified as a director with strategic responsibilities, given the position he held as CEO in KME AG, who resigned from his office with effect from September 2014; to this end we note that KME AG has not appointed any replacement, due to the differing organizational structure that has been put in place, which does not allow identification of any individual that could be considered as a strategic director along the same lines as the resigning CEO.

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

The remuneration policy of the executive directors and the remuneration criteria of the key management are submitted by the Remuneration Committee which is entirely composed of Independent Directors for approval by the Board of Directors, based on the opinion in favor of the Board of Statutory Auditors (also in terms of coherence of the proposals with the remuneration policy).The Board of Directors examines an approves the remuneration policy and then submits it to the vote at the Shareholders' Meeting.

The INTEK Group remuneration policy defines the guidelines which the Board of Directors complies with in order to determine the remuneration of the Board members, specifically Directors with specific mandates and key management personnel.

The Remuneration Committee is responsible for overseeing the implementation of the application of the remuneration policy adopted.

The remuneration policy is prepared in line with the recommendations set forth in article 6 of the code of conduct for listed companies which have been approved by Borsa Italiana SpA. Where the actual remuneration policy digresses from the indications of the Code, the reasons for this choice are provided according to the “comply or explain” criterion.

With regard to principle 6.p.2 of the Code, it is hereby specified that due to the changed operating strategies (of the company's business and its organization, its incentive policies for executive directors and strategic directors are more and more related to reach specific objectives focused on enhancing the value of the assets (measured at fair value, defined with the assistance of an independent expert) and the equity investments in the portfolio (dividends and capital gains - and, therefore in terms of creating "value" for the company, rather than, as had been done in the past, performance objectives and/or profitability of the individual subsidiaries. To this end it is hereby specified that only assets that constitute an investment are measured, in the sense of the "investment" as provided in IFRS 10 and therefore equity investments, whether controlling or not, in companies that are instrumental to the operations of Intek Group are excluded.

This differing "guideline" will be more consistent with the effect of the incentive policies beginning from 2015 and onward, also based on the decisions regarding the remuneration policy that will be made by the new board, which will be appointed by the next shareholders' meeting that will approve the financial statements at 31 December 2014.

In this context, with reference to the variable remuneration of the directors and strategic directors, the Chairman of Intek Group will provide the necessary indications to the remuneration committee (at the time of the proposal) and the Board of Directors regarding the criteria and mechanisms both for the identification of the valuation parameters for the corporate assets and the measurement of the relative performances (in terms of increasing the value of the assets themselves and creating value for the shareholders). Therefore, criteria will be established for determination and settlement of the variable remuneration that will remunerate performance over the medium term, also in terms of the risk containment and retention objectives for executive directors and strategic directors.

1.2.3 ***The Remuneration Committee: role, composition and activities***

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

The standing auditors of the Board of Statutory Auditors participate in the Committee's meetings; minutes are taken by the Secretary of the Board of Directors, thereby ensuring coordination with activities provided for in article 21 of the Company Articles of Association and article 2389, paragraph 3, of the Italian Civil Code.

No Director shall participate in the meetings if a proposal concerning him/her personally is discussed, according to the provisions of the Corporate Governance Code.

As far as remuneration is concerned, the Committee is vested with the powers and responsibilities assigned by the “Related Parties Regulation" to the Control and Risks Committee in compliance with the provisions set forth therein. Its decisions are communicated to the Control and Risks Committee in order to ensure the best possible coordination between the two Committees.

The Committee submits proposals to the Board of Directors for the remuneration of the Chairman, the Deputy Chairpersons, Chief Executive Officers and Directors with specific responsibilities. Furthermore, it assesses the criteria adopted for remuneration of the directors of the Company with strategic responsibilities.

Regarding the remuneration policy of the Intek Group investees, this policy will be established directly by the respective administrative bodies, based on the indications that will be given to them by the committee and therefore by the Company's Board of Directors.

Given that the Board of Directors considers that all the members of the Committee possess more than adequate knowledge and experience of the matter in question, the Committee has decided not to use the assistance of external independent consultants in 2014.

During 2014, the Committee met twice as described in the table below:

Members of the Committee	Number of attendances at Committee meetings in 2014	Percentage
Alberto Pirelli (Chairman)	2	100%
Mario D’Urso	2	100%
Giuseppe Lignana	2	100%

1.3 General Remuneration Policy Principles

1.3.1 <u>The objectives of the remuneration policy and its changes</u>

The remuneration policy is an important tool to create sustainable corporate value. It contributes to attracting and maintaining high-level professional skills and aligning individual targets and conduct to the Group’s medium to long-term strategies and plans.

An overall balanced remuneration structure consists of:

- an adequate balance between fixed and variable components of remuneration. The variable components shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;
- an appropriate variable remuneration, based on medium to long-term goals and not simply on short-term initiatives. The connection between remuneration and performance shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the residual management policies adopted by the Company;
- focusing on the creation of value for Shareholders over the medium to long-term.

These objectives have remained constant over time and have not undergone any changes in the previous year. They have also been confirmed for 2014 by the Board of Directors in office.

Due to the actions implemented for the new strategies of the Company and the Group, relative to the various businesses managed, which aim to improve the valuation of the Group’s various activities, the variable portion of the remuneration will be calculated in line with these actions.

Generally, the remuneration of the Directors and key management personnel is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the company.

It is noted that no references to specific remuneration policies adopted by other companies were used by the Company.

1.3.2 The remuneration policies for Directors and Key managers

1.3.2.1 Members of the Board of Directors

The remuneration of the Non-Executive Directors is in line with the commitment required.

Based on article 8 of the Company Articles of Association, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed compensation. Pursuant to art. 21 of the Company's Articles of Association, on 28 June 2012 the Shareholders' Meeting has granted an annual fixed compensation of 15,000 to the Board members for the three year-period 2012, 2013 and 2014, increased by 50% for those sitting in appointed Committees. In the event that payment pursuant to article 8 of the Articles of Association is granted, the amounts received as fixed compensation are considered as an advance of the aforementioned payment.

1.3.2.2 Executive Directors

Due to the Company's position as a diversified holding company, following the corporate transactions in 2012, the remuneration of the INTEK Group Chairman as from 1 January 2013 does not include any variable monetary components, which are instead identified for the other Executive Directors and key managers.

In line with the strategic objectives of the Company and the Intek Group, the Chairman of the Company is in charge of pursuing the creation of value in the medium to long term for the shareholders of Intek Group; this is expressed in coherence with and in observance of the limits of the strategic guidelines defined by the Board of Directors. His responsibilities lie in the strategic guidance and control of the Group companies, while subsidiaries are responsible for defining the short, medium and long term objectives. In line with this set up, the Chairman has received, from October 2010, ordinary stock options, which can be exercised by 31 December 2015, as part of the "Intek Group S.p.A. 2010-2015 stock option plan."

The remuneration of the other key managers is composed of:

- fixed remuneration;
- annual variable remuneration linked to the achievement of pre-defined and measurable objectives (as described in paragraph 1.4.2);
- additional benefits (as described in paragraph 1.4.3.4).

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

Given also the sub-holding structure of the company, it was preferred not to provide the Chairman of KME Partecipazioni with a variable remuneration, and to remain with the fixed remuneration only.

The Company does not usually enter into agreements with the Key managers regarding the early termination of the relationship by the Company or the Executive, without prejudice to the legal obligations or the provisions of national collective bargaining agreements.

1.4 The components of top management's remuneration

1.4.1 Fixed Remuneration

Top managers' fixed remuneration reflects and is in line with the technical, professional and managerial skills of each manager. It is therefore very closely related to the role held within the Company and based on the responsibilities assumed.

1.4.2 Annual Variable Remuneration

The variable component of the remuneration aims to reward management on the basis of results actually achieved in terms of increasing the value of the equity investment, in line with the new corporate mission, establishing a stable connection between the remuneration and the "value" of the equity investment.

The variable annual component of the remuneration of the executive Directors and the key managers is contingent upon reaching predetermined objectives which refer to annual or multiple year plans of the Company and the Group, as a function of the "increase in value" of the Company itself and its investees, calculated by measuring the assets at the fair value that has been defined with the assistance of an independent expert and the equity held in the portfolio (dividends and capital gains).

For 2015, in line with its structure as a diversified holding company and the new business strategy, the company management has a dynamic entrepreneurial focus on increasing the value of investments over time and generating cash, including through sales which further the pursuit of the new development strategies. In line with this strategic redefinition, the overall appreciation of Intek Group's performance will therefore be made by analysing the increase in value recorded over time by the individual assets/investments and their potential to be transformed into wealth for the shareholders.

In this scenario it should be noted that, as regards the *copper* segment, it was decided to implement, together with the rationalization interventions which are nevertheless necessary, a new strategy for valuation of the various assets of the sector, aimed at researching opportunities for combinations with leading segment operators for their development or possible interest regarding the sale thereof. Therefore, the organizational structure of KME Group was changed with the separation of the management of the Special Products business, the Brass Rods and the German standard Products business from the Standard Products business in Italy, France and Spain, which will allow for the more efficient management through reduction of excess production capacity. Though the general environment is not favourable, in recent months the first partial results of its new strategy became visible while the activities aimed at enhancing the value of the broader areas constituting the core segment are continuing.

As previously indicated, while awaiting a more definitive outcome of the work under way for redefinition of the implementation criteria for the remuneration policy, and in consideration of the less than brilliant financial results achieved by the company, it was decided to postpone the payment of a variable remuneration component to the members of the KME AG Vortstand for 2014 as in the previous year, making reference to the income and financial performance of the sector in coherence with the multiple year plan objectives.

The Company and the Group’s long-term interest and the risk management policies are an integral part of the internal control system and the remuneration policy is in line as well as compliant with them.

The Board of Directors will carry out an in-depth analysis of the risk profiles for the Group and its subsidiaries aimed at assessing the possibility to defer annual bonuses.

1.4.3 Long-term Variable Remuneration

In line with international practices, on 2 December 2009 the Shareholders’ Meeting approved the general guidelines and regulations for a stock option plan concerning Executive Directors and Managers of the INTEK Group and of the companies directly or indirectly controlled by it.

This plan is based on the free assignment of options providing the Beneficiary with the right to subscribe and/or purchase, depending on the case, Company Shares at the end of specific vesting periods.

1.4.3.1 Objectives of the plan

According to the Company, the plan encourages the Beneficiaries to focus on strategically interesting areas, promoting loyalty and ensuring that they remain with the company.

Furthermore, the objectives which the Company aims to achieve through the plan are in line with the recommendations of the Corporate Governance Code on the remuneration of Executive Directors and key managers, since the stock option plans are defined by the aforementioned code as an instrument suitable to align the interests of Executive Directors and key managers with those of Shareholders.

1.4.3.2 Plan Beneficiaries and number of options to be granted

The Plan is applicable to executive managers within the Company on the Grant Date. Moreover, some employees holding a managerial position under a long-term employment contract within the Company on the Grant Date were also among the Beneficiaries of the Plan.

The quantity of the options to assign to each beneficiary is established by the Board, upon the opinion/recommendation of the Remuneration Committee, given their organisational position, the responsibility and professional skills of each person within the Group's organisational structure.

1.4.3.3 Exercise of vested options

After the vesting period, the Options can be exercised, fully or in tranches, only starting from the Initial Exercise Date and within the final deadline of 31 December 2015, as follows:

a) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the first year since the Grant Date;

b) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the second year since the Grant Date;

c) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the third year since the Grant Date.

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

1.4.3.4 Policies concerning non-monetary benefits

The Company decided to provide Executive Directors with a company car which can be used for private purposes as well. ChairmanVincenzo Manes was provided with housing.

The Company also signed a "Directors & Officers' Liability" insurance policy (hereinafter the "D&O") which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy also covers legal expenses in case of preventive and urgent orders.

Furthermore, specific insurance policies in favour of Executive Directors and Managers which provide compensation in case of death or permanent disability are also effective.

1.4.3.5 The policy concerning Directors' Termination benefits in case of resignation, dismissal or termination of employment after a takeover bid

On 14 March 2008 the Board of Directors had resolved that a severance indemnity shall be paid to Vincenzo Manes, in his capacity as Deputy Chairman at the time of this resolution, of an amount equal to the total average annual remuneration for each three-year period of service to be provided upon termination of his term of office. In this way, the Board of Directors completed the overall remuneration since in 2007, the first Group restructuring phase was considered to be concluded, its objective being the implementation of the most urgent business measures in the "copper" sector (at the time, this was the Parent relevant segment) while also achieving financial stability again after the serious crisis in 2004.

Given the new holding configuration of equity investments diversified by the parent after the merger, on 19 December 2012 with the favourable opinion of the Remuneration Committee and the Board of Statutory Auditors and the agreement of the Mr. Vincenzo Manes himself, the Board of Directors decided to stop the annual increase of the Directors' Severance Indemnity fund (the "TFM"); concurrently on that date the amount of the TFM accumulated at 31 December 2012 was Euro 2,409,795.09 and was released to the beneficiary by 30 June 2013. During 2013 and 2014 the Chairman requested payment of a portion of the Euro 760,000 and in the first months of 2015 of a further amount of Euro 500,000. Interest that will accrue at 5% annually on the portion of the receivable not yet collected which is equal to Euro 1,149,795.09

In addition to the above and with specific reference to article 123 bis, para.1 lett. i) of TUF, no agreements have been entered between the Directors and Executive Directors and the Company or Group companies, that provide benefits in the event of resignation /revocation/temination or dismissal without just cause or in the event of termination of employment following a takeover bid, without prejudice to any provisions arising from the law and/or national collective bargaining agreements. Within this framework and with reference to a relevant agreement, it should be noted that current members of the subsidiary KME A.G.'s Vorstand, in regard to their respective employment relation, shall receive a pre-set indemnity by the subsidiary of the "copper" sector with which they have established their employment relationship, in the event of termination without just cause or demotion.

No benefit is provided for "non-competition commitments" or for granting or maintaining non-monetary benefits or entering into consulting agreements subsequently to the termination of the employment relationship; any payment of such indemnities or the execution of such agreements is decided from time to time upon termination of the Executive Director's office as part of the termination benefits.

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The Shareholders' Meeting of Intek Group S.p.A. held on [1/2] call on [18/19] June 2015 in Milan, Via Filodrammatici 3, at Mediobanca S.p.A.'s offices,

- having acknowledged the "Report on Remuneration" prepared by the Board of Directors, pursuant to article 123 ter of Legislative Decree 58 of 24 February 1999,

resolves

to approve on a consultation basis the "First Section" of the "Report on Remuneration" prepared pursuant to the aforementioned legal provisions."

Milan, 27 April 2015

The Board of Directors

(Signed on the original)

2 Section 2

2.1 <u>Part one</u>: Information on the remuneration items

2.1.1 <u>Board of Directors</u>

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

Based on article 8 of the Company Articles of Association, Directors receive 2% of profit for the year after allocation to the mandatory reserve has been made. Article 21 allows the Shareholders' Meeting to provide Directors with any fixed remuneration; Directors with specific powers may receive a specific additional remuneration as well, following decision of the Board of Directors, after hearing the Board of Statutory Auditors.

The annual fixed remuneration for each Director, increased by 50% for those sitting on the two Committees appointed (pursuant to Code Principle 6.P.2.), has been set at Euro 15,000.00 by the resolution of the Shareholders' Meeting held on 28 June 2012.

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

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

2.1.1.2 Remuneration of Directors with specific powers

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors; Executive Directors are the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani.

Since the Deputy Chairwoman Diva Moriani and the key managers Italo Romano are members of the KME A.G.'s *Vorstand*, in addition to the fixed component they also receive a variable remuneration which takes into account the achievement of specific performance objectives in the copper sector, based on both financial parameters (50%) and annual operating profitability parameters set according to the multi-annual business plans, as described in paragraph 1.4.2 of Section 1 of this Report.

2.1.1.3 Remuneration of Non-Executive Directors within Committees

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

The compensation attributed to them and other Directors pursuant to the Articles of Association, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company's profits.

No non-executive director participates in the stock option plan.

2.1.2 <u>Remuneration of Key managers and other Managers</u>

The members of the KME A.G.'s *Vorstand* are considered as key managers. For information regarding their remuneration reference should be made to the paragraphs above.

With regard to other Key managers:

- the Chairman and CEO of KME Partecipazioni SpA receives only a fixed remuneration, without any variable component-;
- The CEO of I2 Capital Partners SGR SpA receives a fixed remuneration.

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

- the Heads of internal control do not receive any specific fixed compensation for carrying out their duties;
- The manager in charge of financial reporting does not receive any additional remuneration for this office.

2.1.3 Stock option plan

2.1.3.1 The "INTEK Group S.p.A. Stock Option Plan 2010-2015"

The incentive and loyalty plan was approved at the Shareholders' Meeting held on 2 December 2009 and is exclusively for the Executive Directors and Managers of INTEK Group and its direct and indirect subsidiaries.

The new plan entails granting of options to subscribe or acquire, as the case may be:

- newly issued INTEK Group ordinary shares arising from the share capital increase resolved by the Board of Directors pursuant to article 2443 of the Italian Civil Code, excluding the option right pursuant to article 2441, para.4, point 2, of the Italian Civil Code;
- ordinary treasury shares held by the Company.

The "Information Document" on the Plan required by article 84 bis of the Issuers' Regulation has been made available to the public in accordance with the terms and conditions required by law and is also available on the relevant web page of www.itkgroup.it dedicated to stock options.

The Plan entails the free grant of options to each of the beneficiaries to subscribe to or acquire, as the case may be, ordinary shares on the exercise of options in the ratio of 1 share for each option exercised at a price equal to the arithmetic mean of the official MTA closing prices of ordinary INTEK Group shares during the period between the grant date and the same date of the preceding calendar month.

The total maximum number of INTEK ordinary shares to be granted to the beneficiaries exercising the option under the Plan may be no more than 31,000,000 involving, at the Board of Directors' sole discretion, either a new issue or shares held in portfolio by the Company or partly a new issue and partly shares held in portfolio in the proportion as may be established from time to time by the Board of Directors in the best interests of the Company.

During the extraordinary Shareholders' Meeting held on 2 December 2009, the Board of Directors, pursuant to article 2443 of the Italian Civil Code, was authorised to increase share capital against payment by a maximum amount, including any premium, of Euro 15 million, without option rights pursuant to the second sentence of article 2441, paragraph 4 of the Italian Civil Code through a new issue of a maximum of 31,000,000 ordinary INTEK Group shares without par value solely for subscription by Plan beneficiaries at a subscription price equal to the arithmetic mean of the official MTA closing prices of ordinary INTEK shares during the period between the grant date to the same date of the preceding calendar month. More information on the proposed increase in share capital in favour of the Plan is contained in the Report presented in accordance with article 72 of the Issuers' Regulation made available to the public in accordance with the terms and conditions required by the law.

The Plan is intended for parties who, at the grant date, were:

i. Executive Directors of the Company.

ii. Executives employed by the Company or its subsidiaries through a permanent employment relationship.

At the grant date, the Board of Directors will select the beneficiaries from the above groups and determine the number of options to be granted to each beneficiary with the professional expertise and responsibilities of each within the organisational structure of the Group.

It should be noted that the granting and exercise of options are not subordinate to achieving particular results nor is it envisaged to keep shares for preset periods of time or until the end of service, as is required by article 7 of the Corporate Governance Code in its new version approved in March 2010, and so subsequent to the Plan which was approved on 2 December 2009.

The Plan specifically provides that in the event of termination of employment by bad leavers all options granted to such persons will be cancelled and will be without effect and validity. Bad leavers are persons who leave the Company in the following circumstances:

i. dismissal, revocation of appointment as director and/or of the beneficiary's powers, non-renewal of the appointment as director and/or the beneficiary's powers each for just cause;

ii. resignation of the beneficiary for reasons other than those of a good leaver.

In the event of a good leaver, the beneficiary or their heirs shall maintain the right to exercise the options granted subject to the Plan obligations, terms and conditions.

The options may be exercised, in one or more tranches, at any time between the initial date and last date (31 December 2015) of the exercise period as shown below:

"Initial date" means:

a) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the first year since the Grant Date;

b) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the second year since the Grant Date;

c) for a number of options equal to 1/3 of the options granted, as from the first business day following the end of the third year since the Grant Date.

Should the exercise of options, on the basis of the right granted by the Shareholders' Meeting of 2 December 2009, occur prior to the initial date of exercise as established herein, the shares subscribed and/or purchased following the exercise of the options will be subject to a twenty-four month lock-up period from the subscription date (for new issues) or the acquisition date (for shares held in portfolio by the Company).

"Lock-up" means the requirement that the Beneficiary be restricted from transferring shares obtained from the Company under the Plan in order to promote loyalty.

Shares subscribed and/or acquired on the exercise of options and subject to lock-up will remain in the custody of the Company (or other entity acting for the Company) for the entire duration of the lock-up period.

The Plan requires the suspension of the exercise of the options by beneficiaries every year for the period between the date of the meeting of the Board of Directors convening the Shareholders' Meeting for the approval of the annual financial statements and the date of the Meeting itself (both dates inclusive) or the relevant ex-dividend date, without, however, prejudice to the Board of Directors' right to suspend, at certain times of the year in the interests of the Company or if apparently needed for the protection of the market, the beneficiaries' exercise of options. It is, however, possible for beneficiaries to exercise options prior to the above exercise period in the event of a change in control, or:

1) the occurrence of any transaction or event entailing the acquisition of a shareholding in INTEK exceeding the thirty per cent threshold pursuant to article 106 of TUF (a) by one party, or (b) by persons acting in concert as defined in article 101 *bis* of TUF;

2) the promotion of a takeover bid and/or public exchange offer pursuant to articles 102 et seq. of TUF when the Board of Directors of the Company has received from the bidder the communication indicated under article 102 of TUF.

Any lock-up obligations are cancelled in the event of a change in control and may not be enforced by the Company and the beneficiary may transfer shares without restriction from that date.

Options are granted to and may only be exercised by the named beneficiary except in the event of the decease of the beneficiary. Options granted may not be transferred for any reason except mortis causa or subject to any encumbrance or other security interest and/or pledged by the beneficiary either by deed inter vivos or through the enforcement of legal provisions.

Any restrictions on the transfer of ordinary INTEK Group shares granted to the beneficiary following the exercise of options shall be subject to the same provisions as those in connection with lock-ups as described above.

2.1.3.2 Execution of the "INTEK Group S.p.A. Stock Option Plan 2010-2015"

In its meeting on 7 October 2010, the Board of Directors identified the Plan beneficiaries and determined the number of options assigned to each of them, for a total of 25,500,000 options (the maximum number of options authorised by the Shareholders is 31,000,000). The decision was taken, upon proposal of the Remuneration Committee, with the favourable vote of the Independent Directors and the favourable opinion of the Board of Statutory Auditors; the Directors who are beneficiaries of the Plan abstained from voting.

Granting was as follows:

to Mr. Vincenzo Manes – Deputy Chairman (at the Grant date)	14,500,000 options
to Mrs Diva Moriani – Deputy Chairwoman	9,000,000 options
to Mr. Gian Carlo Losi- CEO (at the time of the assignment) (currently the Chairman and CEO of KME Partecipazioni).	2,000,000 options

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of INTEK Group S.p.A. ordinary shares at the unit price of Euro 0.295. At 31 December 2014, these options could all be exercised by the beneficiaries.

The final exercise date is 31 December 2015.

In its meeting of 19 December 2012, the Board of Directors identified additional plan beneficiaries and determined the number of options to be granted.

With the favourable opinion of the Remuneration Committee, the Board decided to grant:

- 2,500,000 options to Mr. Roberto De Vitis – a company executive (in charge of the legal and corporate area);
- 1,000,000 shares to Mr. Giuseppe Mazza – Manager of the Company (in charge of managing central administration and the financial statements).

The options give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of INTEK Group SpA ordinary shares at the unit price of Euro 0.326:

- 1/3 starting from 20 December 2013;
- 1/3 starting from 22 December 2014;
- 1/3 starting from 21 December 2015;

The final exercise date is 31 December 2015.

As an alternative to the above, the Board of Directors granted beneficiaries, on the basis of the resolution passed by the Shareholders' Meeting, the possibility of exercising the options as from 20 February 2013; in the case of early exercise, the shares subscribed or purchased will be subject to a twenty-four month lock-up in compliance with the incentive goals of the Plan.

The breakdown of the Plan is set out in table 2.2.2. below, prepared in compliance with the scheme ("Scheme 7-*bis*" as set out in Annex 3 A of the Issuers' Regulation) required by Consob.

2.1.4 <u>The Board of Statutory Auditors</u>

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Statutory Auditors was determined on an annual basis and for the entire term of office (2012-2013-2014) by the Shareholders' Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the “essential situations” of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, please reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

2.2 Part two: Tables

2.2.1 Fees paid to Directors

The breakdown of fees paid to Directors in 2014, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Fees paid to the members of the boards and the key managers

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which the office was held	End of office	Fixed fees	Fees for committee participation	Non-equity variable compensation		Non mon. Benefits	Other compensation	Total	Fair Value of equity compensation	Severance indemnity for end of office or termination of employment
						Bonuses and other inc.	Profit sharing					
Vincenzo Manes (1)	*Chairman*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				815,000	-	-	-	20,399	-	835,399	-	-
(II) Compensation from subsidiaries and affiliates				305,000	-	-	-	-	-	305,000	-	-
(III) Total				1,120,000	-	-	-	20,399	-	1,140,399	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				130,000	-	-	-	-	-	130,000	-	-
(II) Compensation from subsidiaries and affiliates				505,204	-	-	-	5,088	-	510,292	-	-
(III) Total				635,204	-	-	-	5,088	-	640,292	-	-
Salvatore Bragantini	*Director*	*11/06/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				8,342	-	-	-	-	-	8,342	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				8,342	-	-	-	-	-	8,342	-	-
Mario d'Urso	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				15,600	15,000	-	-	-	-	30,600	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,600	15,000	-	-	-	-	30,600	-	-
Marcello Gallo (3)	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				15,000	-	-	-	-	-	15,000	-	-
(II) Compensation from subsidiaries and affiliates				369,400	-	-	-	8,916	-	378,316	-	-
(III) Total				384,400	-	-	-	8,916	-	393,316	-	-
Giuseppe Lignana	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				17,400	15,000	-	-	-	-	32,400	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				17,400	15,000	-	-	-	-	32,400	-	-
Ruggero Magnoni	*Director*	*01/01/2014 - 11/06/2014*										
(I) Compensation in the company preparing the fin. Statements				6,658	-	-	-	-	-	6,658	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				6,658	-	-	-	-	-	6,658	-	-
James McDonald	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				15,600	-	-	-	-	-	15,600	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,600	-	-	-	-	-	15,600	-	-
Alberto Pirelli	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				15,000	7,500	-	-	-	-	22,500	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,000	7,500	-	-	-	-	22,500	-	-
Franco Spalla	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				17,400	-	-	-	-	-	17,400	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				17,400	-	-	-	-	-	17,400	-	-
Luca Ricciardi	*Director*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. statemens*									
(I) Compensation in the company preparing the fin. Statements				18,600	7,500	-	-	-	-	26,100	-	-
(II) Compensation from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18,600	7,500	-	-	-	-	26,100	-	-
Other key management personnel (4)												
(I) Compensation in the company preparing the fin. Statements				-	-	-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates				1,240,800	-	-	-	-	34,011	1,274,811	-	604,000
(III) Total				1,240,800	-	-	-	-	34,011	1,274,811	-	604,000

Notes

(1) Euro 15,000 as a fixed remuneration pursuant to the resolution of the Shareholders' Meeting, Euro 800,000 for the office of Chairman of Intek Group S.p.A., Euro 150,000 for the office of Chairman of I2 Capital Partners SGR S.p.A., Euro 5,000 as director of I2 Capital Partners SGR S.p.A. and Euro 150,000 for the office of member of the KME Supervisory Board.
The non monetary benefits (Euro 20,399) are paid for the function of Intek Group S.p.A. Chairman.

(2) Euro 15,000 as a fixed remuneration decided upon by the Shareholders' meeting, Euro 115,000 for the office of Deputy Chairman of Intek Group S.p.A., Euro 220,000 for his capacity as a member of the KME A.G. Vorstand. Euro 25,208 for the membership on the Supervisory Board of KME Germany Bet Gmbh, Euro 253,270 for the office of manager of KME S.r.l. (including Euro 3,270 for lump sum reimbursements), Euro 5,000 for remuneration as director of ErgyCapital S.p.A. and Euro 1,726 for remuneration from I2 Capital Partners SGR SpA.
The non monetary benefits (Euro 5,088) are paid for the function of KME S.r.l. Executive.

(3) Euro 15,000 as fixed remuneration decided upon by the Intek Group Shareholders' Meeting.
In I2 Capital Partners SGR: Euro 241,848 for the office of manager, Euro 50,000 for the office of CEO and Euro 5,000 for the office of director.
Euro 7,500 as director of FEB-Ernesto Breda S.p.A. and Euro 10,000 as the liquidator of Bredafin Innovazione S.p.A. in liquidation.
Euro 30,000 for the membership on the KME A.G. Supervisory Board, Euro 25,052 for the membership on the KME Germany Bet Gmbh Supervisory Board.
The non monetary benefits (Euro 4,772) are paid for the function as I2 Capital Partners SGR S.p.A. Executive.

(4) Three directors with strategic responsibilities.

2.2.2 Stock Options

The breakdown of the “INTEK Group S.p.A. 2010 – 2015 Stock Option Plan” is provided in compliance with CONSOB provisions (“Scheme 7-bis” - Table 2 - Annex 3A of the Issuers' Regulation).

Stock options granted to members of the administrative body, general managers and other key managers

			Options held at the beginning of the year			Options granted during the year						Options exercised during the year			Options expired during the year	Options held at the end of year	Options accrued in the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible period of exercise (from-to)	Number of options	Exercise price	Possible period of exercise (from-to)	Fair value at the granting date	Granting date	Market price of the underlying shares upon granting of the options	Number of options	Exercise price	Market price of the underlying shares at the granting date	Number of options	Number of options	Fair value
Vincenzo Manes	*Chairman*	*2010-2015*															
(I) Compensation in the company preparing the fin. Statements			14,500,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	14,500,000	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			14,500,000	-	-	-	-	-	-	-	-	-			-	14,500,000	-
Diva Moriani	*Deputy Chairwoman*	*2010-2015*															
(I) Compensation in the company preparing the fin. Statements			9,000,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	9,000,000	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	9,000,000	-
Giancarlo Losi	*Director*	*2010-2015*															
(I) Compensation in the company preparing the fin. Statements			2,000,000	0.295	Oct 2011/Dec 2015	-	-	-	-	-	-	-	-	-	-	2,000,000	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000	-
Two executives of the Company		*2010-2015*															
(I) Compensation in the company preparing the fin. Statements			3,500,000	0.326	Dec 2013/Dec				-	-	-				-	-	50,266
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			3,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50,266

2.2.3 Monetary incentives plan

The table below contains the monetary incentive plan in the form required by Table 3B in scheme 7-bis in Annex 3A of the Issuers’ Regulation.

In 2014, no bonuses accrued to the directors with strategic responsibilities, nor were bonuses paid of previous years.

Monetary incentive plans in favour of members of the administrative body, general managers and other key managers

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Reference period	Not payable anymore	Payable/Paid	Still Deferred	
(I) Compensation in the company preparing the fin. Statements			-	-	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-

2.2.4 Investments held by members of the administrative and control bodies and key manager

The investments held by members of the administrative and control bodies and key manager are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter - Table 1 - Annex 3A of the Issuers' Regulation).

Investments held by Directors and Key Managers

Name and surname	Office	Investee	Number of shares held at the end of 2013	Number of shares purchased during 2014	Number of shares sold during 2014	Number of shares held at the end of 2014
Diva Moriani	Executive Deputy Chairwoman	Intek Group SpA - Ordinary shares	407,105	-	- 407,105	-
Marcello Gallo	Director	Intek Group SpA - Ordinary shares	835,931	-	-	835,931
Luca Ricciardi	Director	Intek Group SpA - Saving shares	120,000	-	-	120,000
	Two managers with strategic responsibilitie	Intek Group SpA - Ordinary shares	304,992	-	-	304,992

2.2.5 Remuneration of the Board of Statutory Auditors

The breakdown of the Board of Statutory Auditors' remuneration in 2014, including in subsidiaries, is shown in the table below which has been prepared in accordance with CONSOB provisions ("Scheme 7-bis" – Table 1 – as set out in Annex 3 A of the Issuers' Regulation).

Remuneration paid to the members of the control body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period for which office was held**	**End of office**	**Fixed fees**	**Fees for committee partecipation**	**Non-equity variable compensation**		**Non mon. Benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Severance indemnity for end of office or termination of**
						Bonuses and other inc.	**Profit sharing**					
Marco Lombardi	*Chairman*	*01/01/2014 - 31/12/2014*	*Approval of 2014 fin. Statements*									
(I) Compensation in the company preparing the fin. Statements				55,500	-	-	-	-	-	55,500	-	-
(II) Compensation from subsidiaries and affiliates				17,500	-	-	-	-	-	17,500	-	-
(III) Total				73,000	-	-	-	-	-	73,000	-	-
Francesca Marchetti	*Standing auditor*	*01/01/2014 31/12/2014*	*Approval of 2014 fin. Statements*									
(I) Compensation in the company preparing the fin. Statements				35,000	-	-	-	-	-	35,000	-	-
(II) Compensation from subsidiaries and affiliates				12,500	-	-	-	-	-	12,500	-	-
(III) Total				47,500	-	-	-	-	-	47,500	-	-
Alberto Villani	*Standing auditor*	*01/01/2014 31/12/2014*	*Approval of 2014 fin. Statements*									
(I) Compensation in the company preparing the fin. Statements				35,000	-	-	-	-	-	35,000	-	-
(II) Compensation from subsidiaries and affiliates				16,500	-	-	-	-	-	16,500	-	
(III) Total				51,500	-	-	-	-	-	51,500	-	-

Marco Lombardi: (I) Euro 52.500 fix fee and Euro 3.000 attendance fee
(II) Fee as Chairman of the Board of Statutory Auditors of KME Italy SpA
Francesa Marchetti: (II) Fee as Statutory auditor of ErgyCapital SpA
Alberto Villani: (II) Euro 6.500 fee as Chairman of the Board of Statutory Auditors of FEB - Ernesto Breda SpA, Euro 10.000 fee as Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA

INTEK GROUP

Separate financial statements at 31 December 2014

Intek Group – Separate financial statements at 31 December 2014

Statement of financial position – Assets

(in Euro)	*Ref. Notes*	*31 Dec. 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Investments in equity interests and fund units	*4.1*	424,049,713	*416,299,007*	9,380,508	
Instrumental equity investments	*4.2*	97,400,433	*97,400,433*	482,527,920	*482,516,033*
Non-current financial assets	*4.3*	2,795,533	*2,123,155*	1,170,980	*498,849*
Property, plant and equipment	*4.4*	381,313	-	399,093	-
Investment property	*4.5*	257,289	-	257,289	-
Goodwill	*4.6*	1,000,000	-	6,000,000	-
Intangible assets	*4.7*	2,955	-	1,544	-
Other non-current assets	*4.8*	17,924	-	17,924	-
Deferred tax assets	*4.23*	7,846,976	-	8,083,413	-
Total non-current assets		**533,752,136**		**507,838,671**	
Current financial assets	*4.9*	11,038,150	*11,027,511*	19,137,112	*19,126,473*
Trade receivables	*4.10*	9,207,134	*1,412,245*	10,325,050	*987,546*
Other current receivables and assets	*4.11*	10,431,271	*1,603,406*	9,474,738	*36,449*
Cash and cash equivalents	*4.12*	736,160	-	929,835	-
Total current assets		**31,412,715**		**39,866,735**	
Non-current assets held for sale	*4.13*	**716,250**		**811,750**	
Total assets		**565,881,101**		**548,517,156**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.11

Intek Group – Separate financial statements at 31 December 2014

Statement of financial position – Liabilities

(in Euro)	*Ref. Notes*	*31 Dec. 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Share capital		314,225,010	-	314,225,010	-
Other reserves		26,201,736	-	26,438,989	-
Treasury shares		(2,183,223)	-	(2,542,660)	-
Retained earnings (accumulated losses)		72,187,807	-	72,187,807	-
Stock options reserve		2,032,886	-	1,982,620	-
Convertible loan		24,000,000	-	24,000,000	-
Profit (loss) for the year		10,945,322	-	(157,933)	-
Total equity	*4.14*	**447,409,538**		**436,133,833**	
Employee benefits	*4.15*	368,879	-	325,500	-
Deferred tax liabilities	*4.23*	1,727,027	-	1,635,079	-
Non-current loans and borrowings	*4.16*	1,689,714	-	46,701	-
Bonds and debt securities	*4.17*	59,990,194	-	57,595,057	-
Other non-current liabilities	*4.18*	937,700	-	1,132,324	-
Provisions for risks and charges	*4.19*	6,100,984	-	2,627,203	-
Total non-current liabilities		**70,814,498**		**63,361,864**	
Current loans and borrowings	*4.20*	42,006,887	*36,136,589*	40,226,053	*13,931,227*
Trade payables	*4.21*	864,781	*138,048*	1,113,754	*124,729*
Other current liabilities	*4.22*	4,785,397	*2,395,518*	7,681,652	*2,981,981*
Total current liabilities		**47,657,065**		**49,021,459**	
Total liabilities and equity		**565,881,101**		**548,517,156**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.11

Intek Group – Separate financial statements at 31 December 2014

Income Statement and Statement of other comprehensive income

(in Euro)	*Ref. Notes*	*2014*	*of which related parties*	*2013*	*of which related parties*
Net income from investment management	*6.1*	25,085,034	*25,290,886*	4,952,041	*3,687,609*
Commissions on guarantees given	*6.2*	4,720,851	*4,720,851*	5,441,172	*5,441,172*
Other income	*6.3*	857,220	*129,180*	994,823	*202,321*
Personnel expenses	*6.4*	(2,731,084)	*(362,497)*	(1,986,706)	*(408,677)*
Amortisation, depreciation and impairment losses	*6.5*	(184,424)	-	(96,944)	-
Other operating costs	*6.6*	(7,891,811)	*(1,567,296)*	(2,973,187)	*(2,142,595)*
Operating profit		**19,855,786**		**6,331,199**	
Financial income	*6.7*	451,435	*421,731*	1,150,569	*1,045,238*
Financial expense	*6.7*	(10,683,495)	*(666,949)*	(7,678,701)	*(3,944,531)*
Net financial expenses		*(10,232,060)*		*(6,528,132)*	
Profit/(loss) before taxes		**9,623,726**		**(196,933)**	
Current taxes	*6.8*	1,583,942	-	(60,725)	-
Deferred taxes	*6.8*	(262,346)	-	99,725	-
Total income taxes		**1,321,596**		**39,000**	
Profit/ (Loss) from continuing operations		**10,945,322**		**(157,933)**	
Profit /(loss) from discontinued operations		-		-	
Net profit (loss) for the year		**10,945,322**		**(157,933)**	
Other comprehensive income:					
Employee defined benefit plans		*(24,160)*		*7,934*	
Taxes on other comprehensive income		-		-	
Components not reclassified in profit or loss		(24,160)		7,934	
Items reclassified in profit or loss		-		-	
Other comprehensive income:		(24,160)		7,934	
Total comprehensive income for the year		**10,921,162**		**(149,999)**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.11

Statement of changes in equity at 31 December 2013

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit for previous years*	*Stock option reserve*	*Convertible loan*	*Profit/ (Loss) for the year*	*Total equity*
Equity as at 31 December 2012	**314,225**	**44,880**	**(2,543)**	**72,188**	**1,640**	**24,000**	**(18,382)**	**436,008**
Coverage of Loss carried forward from previous year	-	(18,382)	-	-	-	-	18,382	-
Expiry of stock options	-	-	-	-	342	-	-	342
Deferred tax assets recognised in equity	-	(67)	-	-	-	-	-	(67)
Actuarial profits/losses on pension funds	-	8	-	-	-	-	-	8
Components of comprehensive income (expense)	-	8	-	-	-	-	-	8
Profit (loss) for the year	-	-	-	-	-	-	(158)	(158)
Total comprehensive income (expense)	-	8	-	-	-	-	(158)	(150)
Equity at 31 December 2013	**314,225**	**26,439**	**(2,543)**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**
Reclassification of treasury shares	(2,543)	-	2,543	-	-	-	-	-
Equity at 31 December 2013	**311,682**	**26,439**	**-**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**

At 31 December 2013 Intek directly held 978,543 savings shares and 6,230,691 ordinary shares without nominal value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2014

Statement of changes in equity at 31 December 2014

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Stock option reserve*	*Convertible loan*	*Profit/ (Loss) for the year*	*Total equity*
Equity as at 31 December 2013	**314,225**	**26,439**	**(2,543)**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**
Coverage of Loss carried forward from previous year	-	(158)	-	-	-	-	158	-
Sale of treasury shares	-	10	360	-	-	-	-	370
Expiry of stock options	-	-	-	-	51	-	-	51
Deferred tax assets recognised in equity	-	(65)	-	-	-	-	-	(65)
Actuarial profits/losses on pension funds	-	(24)	-	-	-	-	-	(24)
Components of comprehensive income (expense)	-	(24)	-	-	-	-	-	(24)
Profit for the year	-	-	-	-	-	-	10,945	10,945
Total comprehensive income (expense)	-	(24)	-	-	-	-	10,945	10,921
Equity at 31 December 2014	**314,225**	**26,202**	**(2,183)**	**72,188**	**2,033**	**24,000**	**10,945**	**447,410**
Reclassification of treasury shares	(2,183)	-	2,183	-	-	-	-	-
Equity at 31 December 2014	**312,042**	**26,202**	**-**	**72,188**	**2,033**	**24,000**	**10,945**	**447,410**

At 31 December 2014 Intek directly held 978,543 savings shares and 5,095,746 ordinary shares without nominal value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2014

Statement of cash flows - indirect method

(in thousands of Euro)		*2014*	*2013*
(A) Cash and cash equivalents at the beginning of the year		**930**	**10,576**
Profit (loss) before tax		9,624	(197)
Amortisation and depreciation of property, plant and equipment and intangible assets		89	97
Impairment losses on current assets		95	-
Impairment losses (reversal of impairment losses) on current and non-current financial assets		(25,083)	(5,365)
Changes in provisions for pensions, post-employment benefits and stock options		68	350
Changes in provisions for risks and charges		3,474	(1,872)
(Increase) decrease in investments		(81)	(22)
(Increases) decreases in other financial investments		1,434	-
Increase (decreases) in financial payables related companies		23,370	4,923
(Increases) decrease in financial receivables from related companies		5,663	(31,697)
(Increase) / decrease in current receivables		1,744	5,405
Increase / (decrease) in current payables		(3,145)	865
Taxes paid during year		-	382
(B) Total Cash flows from (used in) operating activities		**17,252**	**(27,131)**
(Increase) in non-current intangible assets and property, plant and equipment		(73)	(55)
Decrease in non-current intangible assets and property, plant and equipment		1	1,300
Increase/decrease in other non-current assets/liabilities		(194)	6,358
(C) Cash flows from investing activities		**(266)**	**7,603**
(Purchase) sale of treasury shares		371	-
Increase (decrease) in current and non-current loans and borrowings		(17,551)	(51,012)
(Increase) decrease in current and non-current loan assets		-	60,894
(D) Cash flows from financing activities		**(17,180)**	**9,882**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(194)**	**(9,646)**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**736**	**930**

The notes are an integral part of these 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 – Separate financial statements at 31 December 2014

Notes

1. General information

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 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 S.p.A.

The separate financial statements at 31 December 2014 were approved by the Board of Directors on 27 April 2015 and will be published in accordance with legal requirements.

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

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

2. Accounting policies

2.1. Assessment of Investment Entity status

In order for an entity to be considered as an investment entity pursuant to paragraph 27 of IFRS 10 it must:

a) obtain funds from one or more investors with the objective of providing its investors with investment management services;

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

Based on its own operations and disclosures to the market Intek Group considers that it has essentially fulfilled the first two characteristics as from its merger in 2012. In the fourth quarter of 2014, in addition to a more defined identification of the selling strategies, it aligned its internal and external disclosures with fair value.

The company considers that it has also satisfied all the typical characteristics of investment entities as provided by paragraph 28 of IFRS 10:

a) it has more than one investment;

b) it has more than one investor;

c) it has investors that are not related parties of the entity; and

d) it has ownership interests in the form of equity or similar interests.

In light of the above, Intek Group has drafted its own separate financial statements at 31 December 2014 applying, from the end of the fourth quarter, the accounting standards relative to investment entities and therefore measuring the investments in non-instrumental subsidiaries at fair value, in the separate financial statements as well.

As provided by paragraph 30 of IFRS 10, this application was applied prospectively and therefore it was not necessary to restate the values of previous years. Adoption of the investment entity principle resulted in a positive effect on shareholders' equity and the result for the year which amounted to Euro 19.1 million, net of the tax effect.

Following the adoption of the investment entity principle, amendments were made to the financial statements.

In particular, in the statement of financial position:

- the item "*investments in equity interests and fund units*" was created which includes all the investments in equities and also the investments in units of mutual funds which had previously been classified under the item "Non current financial assets";
- the item "Equity investments" was renamed " Instrumental equity interests" and as from 31 December 2014 contains the equity investments that are not financial investments.

For the income statement and the other components of the statement of comprehensive income :

- the item "*Net income from investment management services*" which contains all the income and expenses relative to the measurement and trading of the equities, whether instrumental or not, and the mutual investment funds. In 2014 the item also contains the effect of the accounting standard change;
- the item "*Commissions on guarantees given"* which had previously been included under "*Financial income*", is now shown separately;
- the item "*Income from the sales and provision of services*", of a residual nature, is now included under the item "*Other income*";
- the items "*Net income from investment management services*" and "*Commissions on guarantees given*" contribute to the Operating Result.

In the cash flow statement, the cash flows from investments in equities and mutual funds, including financial receivables and payables to related parties, are classified under cash from operating activities.

The changes in the presentation also involve the amounts relative to the previous year, except for the equity investments which in 2013 were not of an investment nature.

2.2. Basis of presentation

The separate financial statements as at and for the year ended 31 December 2014 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 where applicable.

The separate financial statements are made up of the statement of financial position, the Income Statement and Statement of other comprehensive income, the Statement of cash flows, the Statement of changes in equity as well as of the notes. The financial statements and the notes to the financial statements contained, in addition to the amounts relative to the reference period, also the corresponding comparison data at 31 December 2013, which was represented from the information presented in the financial statements at 31 December 2013 for comparison with the information in the reference financial statements. The procedures used for reclassification of the comparative data are explained in paragraph 2.1.

The statement of financial position has been prepared by distinctly classifying the current and non-current assets and the current and non-current liabilities.

The Company has opted for presentation of a single statement of profits (losses) other components of comprehensive income in which the items of revenue and cost recognized during the reporting period are presented, including the financial expenses and the tax expenses. The elements which, upon the specific indication of the individual IFRS, are recognized separately from the profit (loss) of the current reporting year, are shown in the “Other comprehensive income”. These elements are divided into two categories as follows:

- those which will not be subsequently reclassified in profit (loss) for the year;
- those that will be subsequently reclassified in profit (loss) for the year, when specific conditions are fulfilled.

The method used for the presentation of cash flows within the cash flow statement is the indirect method, according to which the profit (loss) for the year is adjusted by the effects of:

- changes in receivables and payables generated by operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flows from (used in) investing or financing activities.

In preparing the financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability. The accounting policies for the year are consistent with those used for the separate financial statements as at and for the year ended 31 December 2013 except that the Company has adopted the revisions and amendments to standards that became effective on 1 January 2014 and the changes introduced as a result of the assumption of investment entity status as described under paragraph 2.1.

The accounting standards, amendments and interpretations, into force as from 1 January 2014, applied for the first time by the company, which nevertheless had no significant effect on equity or the profit/loss for the reporting year, are the following:

- *Amendments to IAS 32 - Financial Instruments: Presentation* On 16 December 2011, the IASB clarified the requirements for offsetting financial assets and financial liabilities and published an amendment to IAS 32 with the title "Offsetting Financial Assets and Financial Liabilities." The amendments are applicable retroactively; however, adoption of the new standard did not have significant effects on the consolidated financial statements.
- *Amendments to IAS 36 -Recoverable Amount Disclosures for Non-Financial Assets.* In October 2012, the IASB issued this amendment in order to clarify the information to be disclosed regarding the recoverable value of assets, when this value is based on the fair value less costs to sell, only for assets, which have become impaired. The adoption of this standard did not produce effects on the Group's financial statements.
- *Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting.* The amendments refer to circumstances when a hedging instrument is required to be novated to a central counterparty because of laws or regulations. The hedge can thus continue to be separate from the novation, which would not be allowed without the amendment.

The Company has not yet applied the accounting standards which are listed below in paragraph 2.19 and which, although already issued by the IASB, become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognized and presented with respect to their economic substance rather than legal form.

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

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

2.3. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities made in order to obtain a yield from the capital appreciation, the income from the investment or both. Units in investment funds are also included in this item.

These assets are measured at fair value through profit or loss.

Measurement at fair value

The initial fair value is determined by means of a transaction price, and therefore it is equal to the consideration paid.

Subsequent, and at the end of each reporting year, 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 on the date of the financial statements. The measurement techniques used are the discounted cash flow method, the cost method and the equity method.

The measurement techniques based on the discounted cash flows generally require determination of an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and adoption of market parameters for the discounting: the rate or the discount margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

The equity method is based on balance sheets, adjusting the assets and liabilities based on their fair value.

2.4. Instrumental equity investments

All investments in subsidiaries, associates and joint ventures are measured at cost less any impairment losses.

Determination of impairment losses

All financial assets and liabilities, with the exception of “Financial assets and liabilities at fair value through profit or loss”, are tested for impairment in accordance with IAS 39, paragraphs 58-70.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of projected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

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

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

Impairment losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss.

2.5. Other financial assets

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.

2.6. Property, plant and equipment

Investments in operating assets

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

The property plant and equipment are valued at cost, and net of depreciation and impairment.

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

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

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

Assets under finance leases

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components:financial expense, recognized in profit or loss, and repayment of principal, recognized as a reduction of financial liabilities. Assets held under finance leases are recognized at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

“Operating leases” are defined as any arrangement for the lease of assets that is not a finance lease.

Impairment losses

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

2.7. Investment property

This is land and buildings held to collect rents or to appreciate the invested capital or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight line basis.

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

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

Intangible assets are either:

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

In the first two instances, intangible assets, including directly attributable expenses, are initially recognized at cost or fair value, respectively. They are then systematically amortised based on their useful life, which is the period over which the assets will be used by the company, generally between three and five years. The residual value of intangible assets at the end of their useful life is assumed to be zero.

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

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

2.9. 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).

2.10. Equity

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

The costs for equity transactions have been directly deducted from reserves.

The Intek Group 2012-2017 Convertible Loan has been recognised, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the Convertible Bonds instead of their (automatic) conversion into shares is remitted to the shareholders' meeting (by means of a resolution adopted with the majority required by the regulation for the Convertible Loan);
- the number of shares which the issuer of the Convertible Loan must assign to the holders of the Convertible Bonds on their expiry is preset and is not subject to change.

2.11. *Receivables and payables*

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

2.12. *Current and deferred taxes*

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

The current tax expense represents the estimated income tax payable computed on taxable income for the year as determined with reference to current tax rates or those substantially in effect at year end. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities for transactions other than business combinations that have no effect on either accounting profit (or loss) or taxable profit (or loss); differences relating to investments in subsidiaries and joint ventures to the extent that the difference is not likely to reverse in the foreseeable future. The Company also does not recognise deferred tax liabilities arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured with reference to tax rates that it is believed will be in effect in the period in which the underlying asset will be recovered or liability paid based on tax rates in effect or substantially in effect at year end. There is an offset of deferred tax assets and liabilities whenever there is a legal right to offset current tax assets and liabilities and if the deferred tax asset or liability relates to income taxes assessed by the same tax authority on the same taxpaying entity or differing taxpaying entities intending to settle the current tax asset or liability on a net basis or to simultaneously recover the asset and pay the liability.

Deferred tax assets are recognized to the extent that it is likely that there will be sufficient future taxable income to absorb them. The carrying amounts of deferred tax assets are tested for impairment at the end of each year and are reduced to the extent that they are not likely to be recoverable.

2.13. *Employee benefits*

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as “defined contribution” or “defined benefit” plans. The Group’s liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due on the date of these financial statements for the copper sector. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in comprehensive income.

Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations enacted during 2007 introduced – as part of pension reform – significant changes concerning the allocation of the portions accruing of post-employment benefits plan. As a result of these changes, the new flows of post-employment benefits can be directed by workers towards forms of supplementary pension schemes or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the Social Security Institution (in the case of companies with more than 50 employees). On the basis of the generally accepted interpretation of these new rules, the Group decided that:

- post-employment benefits vested at 31 December 2006 but not yet paid at the year end are to be classified as defined benefit plans and measured by actuarial methods without, however, including the component relating to future pay increases;
- contributions payable both to supplementary pension schemes and INPS for post-employment benefits vesting subsequent to that date are to be classified as defined contribution plans with exclusion, in calculation of the cost of the year, of actuarial gains or losses.

The valuation of defined benefit plans was carried out by independent actuaries.

2.14. Provisions for risks and charges

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

- the Company has a present (legal or constructive) obligation owing to a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the year. Where the difference between the present and future value of the provision is significant, the provision is discounted to the present value of the payment required to settle the obligation.

2.15. Revenue recognition

Revenue from services is recognised on the basis of the stage of completion of such work at the end of the year. The progress is then measured with respect to the amount of work performed.

2.16. Financial income and expense

Financial income includes interest income from cash invested, exchange rate gains, dividends, guarantee fees received, gains on disposal of available-for-sale financial assets, increases in the fair value of assets held for trading and derivatives.

Financial expense includes loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets, decreases in the fair value of assets held for trading and derivatives.

2.17. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.18. Stock Options

Personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board of directors and certain other group executives, consistently with the nature of remuneration paid.

The *fair value* of *stock options* has been determined by the option's value as determined by the *Black & Scholes* model which takes into consideration the conditions relating to the exercising of the option, the current share value, and the exercise price, duration of the option, dividends, expected volatility and the risk free interest rate. The cost of stock options, distributed over the entire vesting period, is recognised together with a contra-entry in equity under "Stock options reserve". The fair value of options granted to Executives of INTEK Group S.p.A.'s subsidiaries is recognised as an increase in the carrying amount of "investments" with the contra-entry posted to "Stock options Reserve".

2.19. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months. The losses due to impairment from the initial classification or subsequent measurements are recognised in the income statement of the year in which they occur.

2.20. Earnings/(losses) per share

Pursuant to IAS 33 para. 4 this kind of information is presented only for consolidated figures.

2.21. Use of estimates

The preparation of the financial statements for the copper sector and notes in accordance with IFRS required the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities.

Estimates are primarily made to determine:the guarantees issued, the useful lives of non-current assets, allowance for impairment, any impairment losses, and the cost of employee benefits, the estimated current and deferred tax charges, the indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At the end of the year, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.22. Accounting standards not yet applied

At 31 December 2014, 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 for the copper sector.

The most important included:

- IFRS 9 – Financial Instruments: On 12 November 2009, the IASB published this standard which was then repeatedly amended before 28 October 2010, in a subsequent intervention in mid December 2011 and finally on 24 July 2014. The standard, which is applicable from 1 January 2018, is the first part of a process in phases that aims to replace IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets from the statement of financial position. In particular, the new standard establishes the criteria for the classification of financial assets through a single approach based on the methods of managing financial instruments and the nature of contractual cash flows generated by those financial instruments for their measurement and replacement of the rules set out in IAS 39. Conversely, for financial liabilities, the main amendment refers to the accounting treatment of the changes in fair value of a financial liability designated as a financial liability at fair value in profit and loss, if these changes are due to changes in the credit rating of the liabilities themselves. According to the new standard, these changes must be recognized in the statement of comprehensive income and should not go through the income statement.
- Amendments to IAS 19 Employee Benefits. On 21 November 2013 the IASB published an amendment to IAS 19 entitled Defined Benefit Plans: Employee Contributions. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment will be applicable from the financial years that begin subsequently to 1 July 2014. Early application is nevertheless allowed.
- On 12 December 2012, the IASB issued a group of amendments to the IAS/IFRS a ("Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle"). These amendments will be applicable from the financial years that begin subsequently to 1 July 2014. Early application is nevertheless allowed.

- On 30 January 2014 the IASB published IFRS 14 Regulatory Deferral Accounts, an interim standard relative to the Rate-regulated activities project. IFRS 14 allows only entities adopting IFRS for the first time to continue to recognise amounts relative to rate regulation according to the previous accounting standards adopted. In order to improve comparison with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation be presently separately from other items. The standard is mandatory for the years that begin after 14 June 2014.
- IFRS 15 Revenue from Contracts with Customers. On 28 May 2014, the IASB and the FASB jointly issued standard IFRS 15, the purpose of which is to improve the representation of revenues and global comparability of financial statements with the objective of rendering accounting of economically similar transactions uniform. This standard is applicable to IFRS users beginning from the financial period that begins after 1 January 2017 (early application is allowed).
- Amendment to IAS 16 and 38 Property, Plant and Equipment and Intangible Assets. On 12 May 2014 the IASB published an amendment to the standard specifying that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The adoption of this standard is not expected to produce effects on the Group's financial statements.
- Amendments to IFRS 11 Joint Arrangements. On 6 May 2014 the IASB published an amendment to the standard which adds new guidelines to the accounting for acquisition of an interest in a joint operation when the operation constitutes a business.
- Amendment to IAS 27 Separate Financial Statements. On 12 August 2014, the IASB published an amendment to the standard which will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- IFRIC 21 Levies provides guidance on when to recognise a liability for levies accounted for in accordance with IAS 37, and accounting for liabilities relative to the payment of a levy, the time frame and amount of which are uncertain. IFRIC 21 is applicable from financial periods that begin on 17 June 2014.

Currently, the competent bodies of the European Union have concluded the endorsement process relative to the new standards and amendments applicable to the financial statements of financial periods that begin from 1 July 2014, while for the remainder the required endorsement process for adoption is still under way.

The adoption of the above mentioned principles, amendments and interpretations is not supposed to produce significant effects on the financial statements.

3. <u>Financial risk management</u>

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected to investments and disinvestments. The company's financial results depend mainly on these transactions and the dividends distributed by subsidiaries and, therefore, in the final analysis, they reflect, in addition to the financial performance, also the investment and dividend distribution policies of the subsidiaries.

Corporate equity investments are by their nature investments that carry a certain level of risk. Indeed, these types of investments do not provide the certainty that the invested capital will be refunded in full or they could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

Furthermore, the disinvestment process could require more time than was expected and/or be realized on the basis of terms and conditions that are not fully satisfactory or at non remunerative terms and conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidity of these equity investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, the possible consequent unavailability of an information flow that is at least equal, insofar as its quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the company and therefore assessing the completeness and accuracy of the information it provides. For equity investments that are not controlling investments, whether in listed companies or unlisted companies, the possibility of influencing the management of the equity investments themselves in order to promote growth, including through a relationship with the management and the shareholders of the investee, could be limited.

In reference to the risk management policy, it is noted that the risks of a holding company broadly reflect those of the Group it belongs to. The aforementioned risks are set out in full in the consolidated financial statements as follows:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines require adequate assessment of customers’ creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information, lines of credit in existence, insurance and the factoring of the greatest part of receivables without recourse;

b) liquidity risk: Liquidity risk can arise from the inability to raise working capital financing as and when required. All inflows and outflows and cash balances of Group companies are centrally monitored. The Company intends to meet its cash requirements for the repayment of non-current loans and borrowings and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit and the realization of current investments.

c) currency risk: the main industrial subsidiary of Intek Group operates within an international environment in which transactions are carried out in various currencies and at various interest rates. The exposure to currency risk arises primarily from the geographic location of the markets on which the Group sells its products. It is Group policy to hedge all of the above risks through derivative financial instruments such as cross currency swaps and forward contracts;

d) interest rate risk: the interest rate risk which the Company is exposed to originates mainly from the non-current financial liabilities of its subsidiaries. Floating rate payables expose to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value.

e) <u>commodity price risk (mainly copper)</u>: this is more significant and strategic insofar as the main investment. The objective is to fully hedge this risk through trading in physical goods or forward contracts on the London Metal Exchange (LME). Specifically, all metal price fixing sales and purchase contracts are netted daily and the change in the net open position is generally hedged by LME contracts so that the company is not exposed to overnight price risk. LME contracts are normally paper deals (i.e., settled through the payment of differentials), whereas trading in physical goods may require delivery of the actual commodity, finished goods or semi-finished products. In actuality, both are physical transaction that can be settled through: the liquid funds from the differentials, issuing of another financial instrument or exchange of financial instruments. This is also the case for price fixing sales and purchase contracts with customers and suppliers which, although normally settled by physical delivery, may also be settled prior to the delivery date by squaring positions and can also be used to take advantage of opportunities on the market which would otherwise have to be ignored without, however, making physical delivery of the commodity. The concept of similarity and neutrality for LME and physical goods trading is supported by the fact that:

- they have analogous methods of execution (physical or payment of differentials);
- having the same reference price (LME quotation);
- being managed through only one risk management "position", changes in which are linked to operational factors, and one single "administrative and accounting" system;
- reliably determining fair value.

The fact that both LME contracts and customer and supplier contracts may both be settled through payment of differential market prices means that, in accordance with paragraph 6b of IAS 39, metal price fixing sales and purchase contracts can, similarly to financial instruments, be accounted for at fair value with changes in fair value recognised in profit or loss under "Purchases and change in raw materials".

f)the risk of fluctuation of the share value: the company is exposed to market fluctuations insofar as listed shares that it holds in its portfolio and the changes in the market parameters used for determination of the value of the equity investments, through valuation techniques. The risk of fluctuations in the values of these equity interests, recognized under " investments in equity interests and fund units" is not actively managed using financial hedging instruments.

4. Notes to the separate financial statements

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Investments in subsidiaries	416,300	-	416,300
Investment funds units	7,738	9,381	(1,643)
Other investments	12	-	12
Investments in equity interests and fund units	**424,050**	**9,381**	**414,669**

The breakdown of the item was as follows:

NA	*Registered office*	*Share capital*	*Equity as at 31 December 2014*	*Equity as at 31 December 2014*	*Percentage of interest*	*Cost net of impairment losses*	*fair value*
Subsidiaries							
KME AG	Osnabruck (D)	142,744	257,652	(2,769)	100.00%	380,126	391,615
KME Beteiligungsgesellschaft mbH	Osnabruck (D)	1,043	1,089	126	100.00%	1,000	1,000
FEB - Ernesto Breda SpA	Milan	578	8,440	604	86.55%	2,376	15,335
Intek Investimenti Srl	Milan	10	7	(6)	100.00%	20	20
Idra International SA	Luxembourg	50,569	(5,012)	(148)	100.00%	-	-
Inteservice Srl in liq.	Naples	90	(21)	(21)	100.00%	-	-
Malpaso Srl	Milan	10	(39)	(90)	100.00%	30	30
Progetto Ryan 2 Srl in liq.	Milan	440	410	(5)	88.00%	400	400
Rede Immobiliare Srl	Milan	90	1,636	(319)	48.98%	7,900	7,900
Total subsidiaries						**391,852**	**416,300**
Other investments						12	12
Total investment						**391,864**	**416,312**
I2 Capital Partners Fund							7,704
Value Secondary Investment SICAR							34
Total fund units							**7,738**
Investments in equity interests and fund units							**424,050**

The shareholders' equity value includes the profit (loss) for the year.

The fair value of the equity investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC) of 8.31%, plus an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded.

The UDCF method was carried out on the basis of economic forecasts and changes in some balance sheet items contained in the 2015-2019 Plan (the "Plan"), prepared at the Group level and approved by the Intek Group Board of Directors on 27 April 2015 and of KME AG in March 2015.

Compared to the plans used in previous impairment tests, the plan is characterized by a review downward of the future flows also in light of the results reached during 2014. The main assumptions of the Plan are:

- progressive recovery of the sales volumes of approximately 3.5% annually (the increase in demand of copper at the global level (CAGR 2014-2018) is 4.1%) up to levels reflected the quantity sold in 2011 are expected to be reached in 2019;
- increase in the added value (CAGR of approximately 6.2%) connected to the assumed stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators;
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors during the last periods and the increased focus on raising productivity;
- Inflation is assumed at 2% per annum for 2015, 2.5% for 2016 and 3% for 2017-2019;
- investments are essentially stable at 5.5% of net assets.

The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), amortisation is equal to investments and using a long-term growth rate "g" equal to zero.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved.

The WACC rate was determined on the basis of the following parameters:

- *risk free rate:* weighted average of the 10 year government bonds in each country in which the Group operates;
- *market risk premium*: equal to 5%, in line with the Italian valuation practices;
- 10-year USD swap rate at 31 December 2014 plus a 2.5% spread;
- *Unlevered Beta:* average of beta factors of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

It is noted that in 2013, as part of the impairment test, the cash flows had been discounted using a WACC discount rate of 8.7% net of taxes. This rate took into account an average risk free rate of 2.6%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year, except for the usage of a 3% spread .

The calculation relative to the 2014 test was furthermore subjected to a sensitivity analysis using a WACC from 8.81% to 10.81% and a growth rate “g" from zero to 2% and two alternative scenarios for the determination of the terminal value calculating assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2019). In both scenarios a discount rate representative of the average cost of capital (WACC) of 8.31% was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded.

The fair value fluctuates from a minimum of Euro 382.9 million to a maximum of Euro 402.4 million and the directors considered it reasonable to use a value close to the average value of Euro 391.6 million.

Regarding the equity interest in FEB - Ernesto Breda, again with the assistance of an external consultant, the adjusted shareholders' equity was estimated based on the shareholders' equity of the company's controlled by FEB-Ernesto Breda and the capital gains implicit in the other assets and liabilities. The fair value fluctuates from a minimum of Euro 12.4 million to a maximum of Euro 16.8 million and in this case as well, the Directors decided to use a value of Euro 15.3 million that falls within this interval.

For the other equity investments, the reference was mainly made to the value of their shareholders' equities, adjusting them on the basis of the current values of the relative assets, consisting mainly of properties the fair value of which is corroborated by appraisals carried out by third parties who are independent. These appraisals are based on the value per square meter as estimated on the basis of the assessments made by the public real estate registry office for buildings located in the same area, used for the same purpose and considering the state of their upkeep and future potential.

The stakes in “Investment funds units” relate entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The reduction in the value compared to 31 December 2013 is due to the distributions received of Euro 1,590 thousand, a new payments of Euro 155 thousand and write-downs made at the end of the year of Euro 208 thousand. The fair value has been calculated on the basis of the fair value of the individual investments of the fund net of other financial assets and liabilities.

4.2. Instrumental equity investments

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Investments in subsidiaries	97,400	482,516	(385,116)
Other investments	-	12	(12)
Instrumental equity investments	**97,400**	**482,528**	**(385,128)**

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

NA	*Registered office*	*Share capital*	*Equity as at 31 December 2014*	*Equity as at 31 December 2014*	*Percentage of interest*	*Carrying value*
Subsidiaries						
KME Partecipazioni SpA	Florence	47,900	81,450	21,201	100.00%	81,500
I2 Capital Partners SGR S.p.A.2	Milan	1,500	2,488	26	100.00%	2,500
I2 Real Estate Srl	Ivrea (TO)	110	13,366	237	100.00%	13,400
Total subsidiaries						**97,400**
Other investments						**-**
Total investment						**97,400**

The shareholders' equity value includes the profit (loss) for the year.

The movements of the Investments item during 2014 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*TOTAL*
Historical cost	651,522	12	651,534
Impairment losses	(169,006)	-	(169,006)
Balance as at 31 December 2013	**482,516**	**12**	**482,528**
Increases	81	-	81
Historical cost reclassification	(530,131)	(12)	(530,143)
Reversals of impairment losses	8,500	-	8,500
Impairment losses	(1,844)	-	(1,844)
Reclassifications and impairment losses	138,278	-	138,278
Change for year	**(385,116)**	**(12)**	**(385,128)**
Historical cost	121,472	-	121,472
Impairment losses	(24,072)	-	(24,072)
Balance as at 31 December 2014	**97,400**	**-**	**97,400**

The increases during the year, equal to Euro 81 thousand, referred to:

- Euro 60 thousand to capital contribution payments to the subsidiary Malpaso S.r.l.;
- Euro 11 thousand for the purchase of FEB - Ernesto Breda SpA stock from third party shareholders;
- Euro 10 thousand to capital contribution payments to the subsidiary Intek Investimenti S.r.l.

The write-backs during the period or of Euro 8,500 thousand are relative to the equity investment in the sub holding KME Partecipazioni S.p.A., which had been written down in previous years in the amount of Euro 14,978 thousand. The write back of this equity investment is connected to the result for the year 2014 which benefited by Euro 34,550 thousand consisting of the gross capital gain of the sale of Cobra AT SpA, while it was penalized by the write-downs on the equity investments and warrants of ErgyCapital S.p.A. in the amount of Euro 7,119 thousand and Culti S.r.l. in the amount of Euro 2,105 thousand. The amount of the equity investment in KME Partecipazioni S.p.A. is the same as its shareholders equity.

The write-downs during the year, equal to Euro 1,844 thousand, referred to:

- Euro 1.764 thousand in I2 Real Estate S.r.l. also in relation with the losses incurred by the subsidiary Tecno Servizi S.r.l.;
- Euro 80 thousand in Malpaso S.r.l. for the losses incurred during the year.

For the equity investments in Idra International SA, Intek Investimenti S.r.l. and Interservice S.r.l. under liquidation, adjustments were made on the existing receivables, respectively of Euro 163 thousand, Euro 20 thousand and Euro 29 thousand, in relation to the losses incurred by the investees.

“Other investments” includes non-controlling investments acquired following the merger with Intek that took place in 2012.

The reclassifications of Euro 391,864 thousand (of which Euro 530,143 thousand relative to the historical cost and Euro 138,278 thousand relative to prior write downs), refer to the transfer to the item "*investments in equity interests and fund units*" following the application as at 31 December 2014 of the accounting standard relative to investment entities.

4.3. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Guarantee fees receivables	1,675	47	1,628
Other bank fixed deposits	672	672	-
Other receivables due from associates	449	452	(3)
Non-current financial assets	**2,796**	**1,171**	**1,625**

The *"Other receivable from related companies"* refer to receivables from Idra International (Euro 274 thousand) and Newcocot (Euro 175 thousand)

“Guarantee fees receivables” are the present value of guarantee fees receivables due after 12 months, for guarantees issued by the Company to banks on behalf of the Group companies to which the loans were extended. These receivables are matched by payables of an equal amount. The carrying amount of receivables determined in that manner is believed to approximate fair value.

4.4. Property, plant and equipment

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Plant and equipment	-	-	-
Other assets	381	399	(18)
Property, plant and equipment	**381**	**399**	**(18)**

The changes during the reporting period under review and those of the previous reporting period can be summarized as follows:

(in thousands of Euro)	*Plant and equipment*	*Other assets*	*TOTAL*
Cost			
Balance at 31 December 2012	170	1,752	1,922

Increases		-	55	55
Balance at 31 December 2013		170	1,807	1,977
Increases		-	71	71
Disposals		-	(49)	(49)
Balance at 31 December 2014		170	1,829	1,999
Accumulated depreciation				
Balance at 31 December 2012		170	1,311	1,481
Increases		-	97	97
Balance at 31 December 2013		170	1,408	1,578
Increases		-	88	88
Disposals		-	(48)	(48)
Balance at 31 December 2014		170	1,448	1,618
Net value				
	31 Dec. 2012	-	441	441
	31 Dec. 2013	-	399	399
	31 Dec. 2014	**-**	**381**	**381**

The increases and decreases during the year are relative to passenger cars.

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

4.5. Investment property

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Investment property	**257**	**257**	**-**

The balance at 31 December 2014, equal to Euro 227 thousand, unchanged on the previous year, consists of a Euro 225 thousand building located in Torchiarolo (Brindisi) and a Euro 32 thousand plot of land without construction permission located in Castronno (Varese).

4.6. Goodwill

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Goodwill	**1,000**	**6,000**	**(5,000)**

The increases and decreases in goodwill during the year are relative to the restatement of the FEB-Ernesto Breda equity investment, which it refers to, pursuant to the standard on investment entities.

Goodwill relates to the taking over of court-approved agreements with creditors in bankruptcies of two companies merged into Intek during 2008, originally of Euro 5,000 thousand for each company. Impairment testing is carried out at least annually on drawing up the financial statements. The impairment losses on goodwill of Euro 4,000 thousand, recognized over past years by Intek were the result of the reduction in the future cash flows anticipated for the realization of certain contingent assets.

4.7. Intangible assets

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Other assets	3	2	1
Intangible assets	**3**	**2**	**1**

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

The changes in 2013 and 2014 were as follows:

(in thousands of Euro)		*TOTAL*
Cost		
Balance at 31 December 2012		6
Decrease		(2)
Balance at 31 December 2013		4
Increases		2
Balance at 31 December 2014		6
Accumulated depreciation		
Balance at 31 December 2012		4
Decrease		(2)
Balance at 31 December 2013		2
Increases		1
Balance at 31 December 2014		3
Net value		
	31 Dec. 2012	2
	31 Dec. 2013	2
	31 Dec. 2014	**3**

The decreases are relative to the removal of certain completely depreciated assets.

4.8. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Other receivables	18	18	-
Other non-current assets	**18**	**18**	**-**

These are items relative to receivables from companies under liquidation and guarantee deposits.

4.9. Current financial assets

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Loans to associates	7,135	14,770	(7,635)
Guarantee fees receivables	3,892	4,356	(464)
Other	11	11	-
Current financial assets	**11,038**	**19,137**	**(8,099)**

Loans to associates include:

- Euro 3,941 thousand balance in the current account held with the subsidiary I2 Real Estate;
- Euro 1,489 thousand balance of loans to the subsidiary Quattroduedue S.p.A.;
- Euro 1,408 thousand balance of loans to the subsidiary Culti S.r.l.;
- Euro 291 thousand balance in the current accounts held with the indirect susidiary KME Yorkshire Ltd;

- Euro 6 thousand balance in the current accounts held with the subsidiary Intek Investimenti S.r.l.

During 2014, Euro 600 thousand of the receivable from Culti Srl was forgiven. The receivable from Intek Investimenti was written down by Euro 20 thousand, while a receivable of Euro 29 thousand from subsidiary Interservice Srl was completely written down.

The decrease in the item compared to last year is due to the position insofar as the subsidiary KME Participazioni SpA. The balance for the the reciprocal current account, which at 31 December 2013 indicated a receivable due by Intek to KME Partecipazioni in the amount of 10,545 thousand, became negative in 2014 in regard to Intek Group in the amount of Euro 13,814 thousand.

“Guarantee fees receivable” are the present value of guarantee fees that are receivable within 12 months, for guarantees issued by the INTEK Group S.p.A. to banks on behalf of the Group companies to which loans were granted.

The total amount of guarantee fees receivable within and beyond twelve months determined in the manner described in note 4.3 was Euro 5.567 thousand which approximates their fair value at 31 December 2014.

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

4.10. Trade receivables

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Due from customers – gross amount	*936*	*933*	*3*
Allowance for impairment	*(933)*	*(933)*	*-*
Due from customers – net amount	3	-	3
From *leasing and factoring* activities	7,792	9,338	(1,546)
Due from associates	1,412	987	425
Trade receivables	**9,207**	**10,325**	**(1,118)**

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 change during the year was due to the receivables collected (Euro 652 thousand) and the value adjustments made (Euro 894 thousand).

Receivables due from associates refer to fees for loans or administrative services provided. The carrying amount of trade receivables approximates their fair value.

4.11. *Other current receivables and assets*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Tax receivables	5,309	5,937	(628)
Receivables due from *special situations*	3,332	3,332	-
Prepayments and accrued income	70	49	21
Receivables due from associates	1,482	36	1,446
Other	238	121	117
Other current receivables and assets	**10,431**	**9,475**	**956**

Tax receivables include, among other things, receivables for direct taxes of Euro 3,354 thousand (of which Euro 2,500 thousand has been requested for refund) and receivables for VAT for Euro 1,955 thousand.

The “Receivables due from special situations” item is entirely relating to the receivables arising from bankruptcy proceedings of Euro 3,332 thousand and they are furthermore relative to positions from the previous financial year Ernesto Breda procedure guaranteeing the receivables for its subsidiaries in compulsory liquidation and shall be collected on the basis of the performance of the insolvency proceedings of these companies.

The increase of the *"Receivables from related companies"* is related to the positions in the tax consolidation.

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.12. *Cash and cash equivalents*

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

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Bank and post office accounts	734	926	(192)
Cash on hand	2	4	(2)
Cash and cash equivalents	**736**	**930**	**(194)**

Please see the statement of cash flows for the cash flows used in the year.

4.13. *Non-current assets held for sale*

This is a property relative to the previous lease activity which is expected to be sold during 2015. The variation is due to adjustments made following the negotiations for the sale still to be defined.

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Properties held for sale	716	812	(96)
Non-current assets held for sale	**716**	**812**	**(96)**

4.14. Equity

The number of subscribed shares is as follows:

	Ordinary shares	*Savings shares*	*TOTAL*
Issued at 31 December 2014	**345,506,670**	**50,109,818**	**395,616,488**

The Share Capital at 31 December 2014 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares and 50,109,818 savings shares. The shares have no nominal amount. There were no changes during 2014 and 2013 .

At 31 December 2014 the Company held 5,095,746 ordinary treasury shares, equal to 1.475% of the capital of this category and 1.288% of the overall capital and 978,543 savings shares equal to 1.952% of the capital for this category.

The breakdown of the item *Other Reserves* is broken down as follows:

(in Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Legal reserve	5,334,047	5,334,047	-
Deferred tax assets recognised in equity	88,177	154,217	(66,040)
Share premium reserve	35,652	35,652	-
Available reserve (extraordinary)	15,628,806	15,427,302	201,504
Reserve for treasury shares held	2,183,223	2,542,660	(359,437)
Unavailable reserves	635,835	635,835	-
Reserves taxable on distribution	3,484,481	3,484,481	-
Costs associated with a share capital increase	(399,111)	(399,111)	-
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on Employee benefits (TFR)	(16,226)	7,934	(24,160)
Gain/loss reserve for treasury shares	28,458	17,578	10,880
Other reserves	**26,201,736**	**26,438,989**	**(237,253)**

The “Legal Reserve”, unchanged on the previous year, may be used to absorb losses.

The “Share premium reserve” may, unchanged on the previous year, pursuant to art. 2431 of the Italian Civil Code, be distributed to Shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital.

The "*Free reserves*" has a net increase of Euro 202 thousand due to a reduction of Euro 158 thousand to cover the loss of the year 2013 and on the other hand an increase of Euro 360 thousand resulting from the transfer to *"Reserve of treasury shares in the portfolio"* following the sales that took place during 2014.

The “Unavailable reserve ”, unchanged on the previous year, was recognized during the merger for reconstitution of the same reserve present within Intek pursuant to Legislative Decree 38/2005.

At the reporting date the “Stock option reserve” consisted of the reserve relating to the 2010/2015 Plan for a total of Euro 2,032,886 (of which Euro 1,982,620 relating to 2010/2013 and Euro 50,266 relating to 2014).

“Retained earnings” of Euro 72,187,807, unchanged on the previous year, are available for use.

The “Convertible loan” refers to the Intek Group 2012/2017 Convertible loan consisting of 4,000 bonds and arising from the merger with Intek which it came under following the merger with Quattrotretre. The convertible bonds will automatically convert (conversion into shares) on their expiry date (i.e. 24 September 2017) into 28,452,150 Intek Group ordinary shares, without prejudice to the repayment option due to Intek Group. The Company will have the right to repay the convertible bonds on their expiry date in cash, informing bondholders of this within sixty working days prior to the expiry date (repayment option), subject to obtaining from the shareholders' meeting of the issuer of the convertible loan the authorisation pursuant to article 2364, para.1, no. 5) of the Italian Civil Code as approved with the vote in favour by the majority of the issuer's shareholders present at the shareholders' meeting, excluding the shareholder or shareholders who, including jointly, hold the majority stake, including the relative majority, provided that the stake is over 10%. Should the repayment option be exercised, Intek Group will pay bondholders on the expiry date an amount of Euro 8,001.00 for each convertible bond (repayment price), for a total of Euro 32,004,000.

4.15. Employee benefits

This amount is determined based on the vested benefits at the end of the year, in compliance with law, employment contracts and IAS 19.

(in thousands of Euro)	*31 Dec. 2013*	*Increases*	*Decrease*	*31 Dec. 2014*
Clerical	197	36	(23)	210
Executives	101	36	(30)	107
IFRS Adjustments	28	24	-	52
Employee benefits	**326**	**96**	**(53)**	**369**

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used for the actuarial valuation of the Employee benefits (TFR).

4.16. Non-current loans and borrowings

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Financial guarantees issued liability	1,675	47	1,628
Other	15	-	15
Non-current loans and borrowings	**1,690**	**47**	**1,643**

The item *"Financial guarantees issued liability"* of Euro 1,675 thousand is the offsetting entry of the item recognized under non-current financial assets of the same origin and represents the fair value of the liabilities undertaken against the guarantees issued, any situations of riskiness and consequent potential liabilities having been measured pursuant to the guidelines set forth in IAS 37. As the item refers only to guarantees issued for loans obtained by subsidiaries, it is believed that the present value of the commissions to be collected, recognized as part of the "current" and "non-current" financial assets, represents the best estimate of the fair value of the potential liabilities in relation to the guarantees issued.

The item *"Other"* refers to payables on financial leases.

4.17. Bonds and debt securities

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Intek Group 2012 / 2017 SFP	48,662	46,869	1,793
Intek Group 2012/2017 bonds	11,328	10,726	602
Bonds and debt securities	**59,990**	**57,595**	**2,395**

The item relates to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue of debt securities). At 31 December 2014, the outstanding Intek Group bonds, with a nominal value of Euro 0.50, were 22,655,247 while the Intek Group equities, with a nominal unit value of Euro 0.42 that were outstanding totalled 115,863,263. Both categories of securities had a duration of five years from 2012 to 2017 and a fixed remuneration of 8%.

In December 2014 INTEK Group launched the issue of a new bond with a duration from 2015 to 2020, and yield at a fixed rate of 5%. This security was offered in exchange to holders of outstanding securities and as an offer to subscribe. Upon completion of the transaction concluded in February 2015, the securities that were not used to participate in the exchange were redeemed early. Due to the transaction, the value of the securities which were previously recognized at amortised cost, was adjusted to their book value. Furthermore, a special risk provision of Euro 892 thousand was established against the premium to be paid to the participants in the exchange.

4.18. *Other non-current liabilities*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Other payables	938	1,132	(194)
Other non-current liabilities	**938**	**1,132**	**(194)**

These are debts which originated as part of court-approved agreements with creditors.

4.19. *Provisions for risks and charges*

A summary of the movements relating to the provisions for risks and charges is as follows:

(in thousands of Euro)	*31 Dec. 2013*			*Increases*	*Releases/ uses*	*31 Dec. 2014*		
	Non-current	*Current*	*TOTAL*			*Non-current*	*Current*	*TOTAL*
Legal risks provision	553	-	553	-	-	553	-	553
Provisions for risks for tax disputes	300	-	300	-	-	300	-	300
Provisions for risks on disposal of assets	1,512	-	1,512	2,597	(15)	4,094	-	4,094
Risk provisions for the exchange offer	-	-	-	892	-	892	-	892
Other provisions for risks and charges	262	-	262	-	-	262	-	262
TOTAL	**2,627**	**-**	**2,627**	**3,489**	**(15)**	**6,101**	**-**	**6,101**

The item "*Legal risks provision"* amounts to Euro 553 thousand and is unchanged from last year.

The "Provisions for risks for tax disputes", unchanged on 31 December 2013, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. The provision made covers the whole risk of the dispute.

The *"Risk provision for ongoing disposals"* mainly contains two allocations. The first, of Euro 1,337 thousand, is connected to commitments undertaken during the disposal phase of an equity investment and refers to a tax assessment. The second, of Euro 2,597 thousand, was established in 2014 following the handing down of a negative ruling issued by the Naples Court of Appeals for a dispute pursuant to article 1526 initiated by the administrator in bankruptcy of a former leasing client.

For the *"Risk provisions for the exchange offer"* see the item "*Bonds and participating financial instruments"*.

The *"Other provisions for risks and charges"* contain accruals for disputes raised by former employees and have not changed since last year.

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

4.20. *Current loans and borrowings*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Due to associates	36,137	13,931	22,206

Bank loans and borrowings	-	10,198	(10,198)
Shares of expiring loans	-	9,764	(9,764)
Guarantees issued liability	3,892	4,356	(464)
SFP/Bonds interest cost	1,972	1,972	-
Other liabilities	6	5	1
Current loans and borrowings	**42,007**	**40,226**	**1,781**

The item *"related companies"* contains the balance of the corresponding current accounts, which are held at market rates with remuneration set at Euribor plus a spread, in existence with the following director indirect subsidiaries:

- Euro 18,835 thousand with FEB-Ernesto Breda
- Euro 13,814 thousand with KME Partecipazioni;
- Euro 1,951 thousand with I2 Capital Partners SGR;
- Euro 1,537 thousand with Breda Energia.

The "*Interest payable on participating financial instruments/bonds*" was paid in February and March of 2015 following the exchange offer for the early redemption of the securities that were not used as part of the exchange.

“Guarantees issued liability” is the contra-entry of a non-current asset relating to the same guarantees; see note 4.9.

During the year, the payables to credit institutions in existence at 31 December 2013 were repaid in full. Except for the bonds, the company has no financial exposure to third parties.

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

4.21. Trade payables

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Due to suppliers	858	1,106	(248)
Due to subsidiaries and associates	7	8	(1)
Trade payables	**865**	**1,114**	**(249)**

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

4.22. Other current liabilities

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Payables to directors for end of office indemnity	1,742	2,210	(468)
Payables due to former lease customers	1,266	1,266	-
Payables due to employees	185	213	(28)
Tax liabilities	518	183	335
Payables due to associates	309	168	141
Payables due to social security institutions	107	66	41
Other payables	658	3,576	(2,918)
Other current liabilities	**4,785**	**7,682**	**(2,897)**

The “Payables to directors for end of office indemnity” refers to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question bears interest of 5%. The Chairman has agreed with the Company to set 31 December 2014 as the date by which payment is to be made, this date has been postponed to 31 December 2015.

“*Payables due to former lease customers*” relate to sums received by way of advances from customers and not offset with credit entries.

“*Payables due to employees*” refer to amounts due but not yet settled.

"Tax liabilities" mainly includes amounts due to the tax authorities, for amounts withheld that are payable (Euro 503 thousand).

The increase in the *"Amounts due to related companies*" is related to charge backs of costs for personnel from other group companies.

“Other payables” contain, among other things, the payables due to members of the corporate bodies (for a total of Euro 344 thousand). Last year the commissions collected early by subsidiaries were Euro 2,340 thousand.

4.23. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Deferred tax assets	7,847	8,083	(236)
Deferred tax liabilities	(1,727)	(1,635)	(92)
Deferred tax assets and liabilities	**6,120**	**6,448**	**(328)**

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

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2014	*31 Dec. 2013*	*31 Dec. 2014*	*31 Dec. 2013*
Investment property	10	10	-	-
Investments in equity interests and fund units	-	-	336	-
Trade receivables	5,912	6,544	1,385	1,522
Other non-current payables	-	-	6	113
Provisions for risks and charges	980	270	-	-
Other current liabilities	469	698	-	-
Deferred tax assets on equity items	88	154	-	-
Deferred tax assets on tax losses carried	388	407	-	-

forward				
TOTAL	**7,847**	**8,083**	**1,727**	**1,635**

Deferred tax liabilities are computed on temporary differences between carrying amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

"Deferred tax assets on tax losses carry forward" are recognised only when their recovery is highly probable.

5. ***Commitments and guarantees***

Intek Group is the guarantor for KME AG and its main subsidiaries operating in the semi-finished copper and copper alloy products sector as follows:

- for Euro 475 million for a loan obtained from a pool of banks, currently expiring in June 2016;
- for Euro 355 million regarding the agreement concluded with GE Commercial Finance for *factoring without recourse* of transactions currently expiring in June 2016.
- Euro 56 million for loan taken out with Unicredit Mediocredito Centrale, the residual amount of which is Euro 33.2 million. In this case as well Intek Group remained on only as the guarantor of an amount equal to Euro 49 million.

There are furthermore additional guarantees for non revolving credit lines connected to the copper sector of Euro 25 million, and guarantees for tax credits of approximately Euro 3.3 million expiring insofar as Euro 0.7 million in 2015 and Euro 0.8 million in 2016, with a remaining Euro 1.8 million expiring in 2017.

As part of the sale of the Cobra AT shares to Vodafone, Intek Group issued a guarantee to its subsidiary KME Partecipazioni S.p.A. for Euro 3.1 million in favour of Banca Popolare di Milano which in turn issued a guaranty to Vodafone.

In November 2011, Intek Group issued a surety to secure a loan of Euro 2 million granted by Intesa SanPaolo for the indirect investee ErgyCapital SpA. An additional guarantee was issued, for a loan of Euro 6.1 million, granted by a syndicate of banks led by Banca Popolare di Vicenza Scpa, to the company Agricola S. Vito Biogas Srl which is indirectly controlled by ErgyCapital SpA. This guarantee was reduced to Euro 3 million on 31 December 2014.

Regarding the incorporated company Intek, a guarantee provided to Intesa SanPaolo for the credit line issued to Culti Srl (Euro 1.3 million) is still in effect. I2 Real Estate S.r.l. was guaranteed a loan of Euro 3.5 million (original value on subscription, today the loan has been partially repaid and the residual amount is Euro 1.7 million), while for Tecno Servizi S.r.l. a guarantee was provided for a loan supplied by Mediocredito for an original amount of Euro 7.8 million (residual amount Euro 5.6 million). Finally, in order to guarantee the loan to Malpaso S.r.l., a guarantee was issued for Euro 11.2 million.

Furthermore, the Company has subscribed a share of the I2 Capital Partners Fund with a remaining commitment of Euro 2.5 million.

6. <u>*Notes to the statement of comprehensive income*</u>

6.1. Net income from investment management

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Write-backs on equity investments and securities	8,500	9,602	(1,102)	-11.48%
Value adjustments on equity investments and securities	(1,844)	(2,973)	1,129	-37.98%
Value adjustments on financial receives from related companies	(811)	(415)	(396)	95.42%
Measurement at fair value of investments	19,446	-	19,446	n/a
Measurement of fund units at fair value	2012	(1,264)	1,056	-83.54%
Dividends	2	2	-	0.00%
Net income from investment management	**25,085**	**4,952**	**20,133**	**406.56%**

This item consists of the following amounts:

- write-back to KME Partecipazioni of Euro 8,500 thousand;
- write downs of equity investments and financial receivables of Euro 1,844 thousand, of which Euro 1,764 thousand refer to the equity investment in I2 Real Estate Srl
- write downs of equity investments and financial receivables of Euro 811 thousand including Euro 600 thousand for the partial waiver of the financial receivable from Culti Srl;
- measurement at fair value of the equity investments totalling Euro 19,446 thousand, of which Euro 11,488 thousand relative to KME AG and Euro 7,958 thousand relative to FEB - Ernesto Breda;
- fair value measurement of the mutual funds at Euro 208 thousand.

6.2. Commissions on guarantees given

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Commissions on guarantees given	4,721	5,441	(720)	-13.23%
Commissions on guarantees given	**4,721**	**5,441**	**(720)**	**-13.23%**

We refer to the remuneration of the guarantees provided for instrumental equity interests and investment instruments for securing loans.

6.3. Other income

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Income from "*special situations*"	728	793	(65)	-8.20%
Provision of services to associated companies	129	202	(73)	-36.14%
Other income	**857**	**995**	**(138)**	**-13.87%**

The "*Income from special situations"* refers to Intek's activities connected to undertaking of compositions with creditors.

The item "*Revenues from sales and services*" contains only the amounts invoiced for the administrative support to companies belonging to the group.

6.4. Personnel expenses

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Wages and salaries	(1,776)	(948)	(828)	87.34%
Social security charges	(388)	(282)	(106)	37.59%
Cost of stock options	(50)	(324)	274	-84.57%
Other personnel expense	(517)	(433)	(84)	19.40%
Personnel expenses	**(2,731)**	**(1,987)**	**(744)**	**37.44%**

Increase in "Wages and salaries" of Euro 600 thousand is connected to expenses incurred for a settlement with a former employee. These costs were classified as non-recurring expenses in the management income statement.

Other personnel costs include remuneration to consultants of Euro 75 thousand (Euro 198 thousand the previous year), the costs for using personnel from other group companies of Euro 312 thousand (Euro 84 thousand in the previous year) and the provision for post-employment benefits of Euro 73 thousand (Euro 68 thousand the previous year).

Average number of employees:

	31 Dec. 2014	*31 Dec. 2013*	*Change*
Executives	3	3	-
Clerical	10	9	1
Average number of employees	**13**	**12**	**1**

Starting from 2010 the KME Group S.p.A. stock option plan for 2010–2015 was activated, in replacement of the previous one which was implemented in 2006 and revoked in 2009.

In its meeting of 7 October 2010, the Board of Directors identified the first plan beneficiaries and determined the number of options assigned to each of them, for a total of 25,500,000 options (the maximum number of options authorized at the Shareholders' Meeting is 31,000,000).

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

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

The final exercise date is 31 December 2015.

The fair value of stock options (Euro 0.073 per share) has been determined by an independent actuary on the grant date by application of the Black & Scholes model which includes variables regarding the conditions of exercise, current share price, expected volatility (estimated through projection of actual volatility for the past year), the risk free interest rate for the Euro zone, expected dividend yield, and the probability that option holders will meet the requirements to exercise their rights at the end of the vesting period.

The cost of the stock options for the year and therefore the fair value of the services received was determined indirectly with reference to the fair value of the equity instruments granted.

In December 2012, again in execution of the Plan, a further 3,500,000 stock options were 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 is 31 December 2015. The fair value of the stock options was determined, in the same way described above, at Euro 0.060.

Further details on the Plan are set out in the "Prospectus" which was prepared at the time and is available on the Company's website and in the Report on Remuneration.

The evolution of the stock option plan at 31 December 2014 is as follows:

No. of options	*31 Dec. 2014*	*31 Dec. 2013*
Options existing at 1 January	**29,000,000**	**29,000,000**
Existing options at end of the period	**29,000,000**	**29,000,000**
of which exercisable	*27,833,333*	*26,666,667*

6.5. Amortisation, depreciation and impairment losses

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Depreciation	(88)	(96)	8	-8.33%
Amortisation	(1)	(1)	-	0.00%
Adjustments to real-estate investments	(95)	-	(95)	n/a
Amortisation, depreciation and impairment loss	**(184)**	**(97)**	**(87)**	**89.69%**

The adjustment of Euro 95 thousand is connected to a property included under "*Non-current assets held for sale*."

6.6. Other operating costs

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Directors' and Statutory Auditors' fees	(1,278)	(1,789)	511	-28.56%
Professional services	(2,694)	(1,460)	(1,234)	84.52%
Travel costs	2012	(254)	53	-20.87%
Legal and company advertising	(112)	(138)	26	-18.84%
Electricity, heating, postal and telephone costs	(51)	(51)	-	0.00%
Insurance premiums	(96)	(143)	47	-32.87%
Training and seminars	(1)	(1)	-	0.00%
Real estate leases	(415)	(445)	30	-6.74%
Leases and rentals	(79)	(82)	3	-3.66%
Various tax charges	(113)	(108)	(5)	4.63%
Membership fees	(126)	(139)	13	-9.35%
Other net costs	123	35	88	251.43%
Donations	(238)	(236)	(2)	0.85%
Bank fees	(14)	2012	6	-30.00%
Releases of provisions	-	1,968	(1,968)	-100.00%
Provision for risks	(2,597)	(110)	(2,487)	2260.91%
Other operating costs	**(7,892)**	**(2,973)**	**(4,919)**	**165.46%**

The increase in *"professional services"* is connected to legal costs for recovery of receivables from the former leasing and factoring activity, classified as non-recurring in the management income statement.

The *"Directors' and Statutory Auditors' fees"* in 2013 included a bonus amount of Euro 500 thousand.

The *"Allocation to the risk fund*" is connected to the ruling, which was opposed to the company's interests, of the Naples Court of Appeals on a former leasing dispute. The Company appealed to the Court of Cassation requesting suspension of the payments to the Naples Court of Appeals, which it obtained.

6.7. Financial income and expense

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Interest income from group companies	*421*	*1,045*	(624)	-59.71%
Other Financial income and interests	*30*	*106*	(76)	-71.70%
Total financial income	451	1,151	(700)	-60.82%
Interest expense with group companies	*(612)*	*(384)*	(228)	59.38%
Loan interest expense	*(687)*	*(1,534)*	847	-55.22%
Interest expense on securities issued	*(7,194)*	*(5,328)*	(1,866)	35.02%
Other financial expense	*(2,190)*	*(433)*	(1,757)	405.77%
Total financial expense	(10,683)	(7,679)	(3,004)	39.12%
Net financial expense	**(10,232)**	**(6,528)**	**(3,704)**	**56.74%**

The *"Financial income"* mainly refers to interest accrued on intercompany accounts held at market interest rates,

"*Financial expense*" consists mainly of:

- interests on debt securities issued at the time of the Public Exchange Offers of Euro 7,194 thousand. Of this item, Euro 1,817 thousand refers to the alignment of the book value with the redemption value consequent to the exchange offer and early redemption of securities;
- other financial expenses of Euro 2,190 thousand which include Euro 1,200 thousand which reflects the effects of the transaction for the closure of the options on the Cobra AT shares and Euro 892 thousand which reflects the allocation to the risk fund for the premium paid to the participants in the public exchange offer;
- interest payable to banks for short and medium/long-term loans of Euro 687 thousand;
- interest payable to Group companies on intercompany accounts at market rates amounting to Euro 612 thousand.

6.8. Current and deferred taxes

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Current taxes	1,584	(61)	1,645	-2696.72%
Deferred taxes	(262)	100	(362)	-362.00%
Current and deferred taxes	**1,322**	**39**	**1,283**	**3289.74%**

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

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2014*	*2013*
Profit (loss) before taxes	9,624	(197)
Tax charge at theoretical rate	(2,647)	54
- Impairment losses on securities and investments that are non-deductible/non-taxable	1,608	1,586
fair value	5,012	-
- Other	(2,760)	(1,519)
- Previous year taxes	109	(82)
- IRAP	-	-
Total effective tax charge	**1,322**	**39**

7. <u>Other information:</u>

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Financial assets recognised at fair value through profit or loss	429,628	13,794	415,834
Held-to-maturity investments	-	-	-
Loans and receivables	23,339	30,705	(7,366)
Investments in subsidiaries and other companies	97,400	482,528	(385,128)
Financial liabilities recognised at fair value through profit or loss	(5,567)	(4,403)	(1,164)
Financial liabilities at amortised cost	(104,190)	(103,210)	(980)
Financial instruments by category			

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statements items at 31 December 2014:

(in thousands of Euro)	*TOTAL*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	424,050	-	424,050	
Instrumental equity investments	97,400	-	-	97,400
Other non-current assets	18	18	-	-
Non-current financial assets	2,796	1,121	1,675	-
Trade receivables	9,207	9,207	-	-
Other current receivables and assets	10,431	5,122	-	5,309
Current financial assets	11,038	7,135	3,903	-
Cash and cash equivalents	736	736	-	-
Total financial assets	**555,676**	**23,339**	**429,628**	**102,709**
Non-current loans and borrowings	(1,690)	(15)	(1,675)	-
Bonds and debt securities	(59,990)	(59,990)	-	-
Other non-current liabilities	(938)	(938)	-	-
Current loans and borrowings	(42,007)	(38,115)	(3,892)	-
Trade payables	(865)	(865)	-	-
Other current liabilities	(4,785)	(4,267)	-	(518)
Total financial liabilities	**(110,275)**	**(104,190)**	**(5,567)**	**(518)**

7.3. Exposure to credit risk and impairment losses

The carrying amount of financial assets represents the maximum exposure to credit risk of Intek Group S.p.A.

The risk of impairment is mainly connected to investments in instrumental equity interests of Euro 97.4 million.

The ageing of trade receivables from current transactions at the year end was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Depreciation as at 31 Dec. 2014*	*Net value*
Not yet due	1,415	-	1,415
over 1 year past due	933	(933)	-
Trade receivables	**2,348**	**(933)**	**1,415**

There were no changes in the allowance for impairment of Euro 933 thousand.

7.4. Currency risk

Intek Group S.p.A. had no financial statements items or sale or purchase commitments denominated in foreign currencies at the year end.

7.5. Interest rate risk

The interest rate structure of interest-bearing financial instruments at 31 December 2014 was as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
Financial assets	-	-
Financial liabilities	(59,990)	(57,595)
Fixed-rate instruments	**(59,990)**	**(57,595)**
Financial assets	7,807	15,442
Financial liabilities	(36,143)	(33,897)
Floating rate instruments	**(28,336)**	**(18,455)**

The fixed rate financial liabilities relate to debt instruments issued during the public exchange offers.

7.6. Exposure to the risk of fluctuations in share value.

This risk is connected to the investments held in the portfolio of Euro 424 million.

7.7. Sensitivity analysis of the cash flows of floating rate financial instruments

A 50 basis point increase (decrease) in interest rate receivable or payable at the year end would have led to an insignificant impact on equity and the profit for the year.

7.8. Fair value and carrying amount

Pursuant to IFRS 13 para. 91 we declare that the carrying amounts of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

7.9. Fair value hierarchy

IFRS 7, para. 27A and IFRS 13 require financial instruments recognised at fair value in the financial statements to be classified with reference to a hierarchy of levels, based on the significance of the input used to determine fair value.

The standard stipulates three levels:

Level 1 - listed prices on an active market for the asset or liability to be measured;

Level 2 - inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs not based on observable market data.

The financial instruments recognized in the statement of financial position and statement of comprehensive income at fair value consist of participating investments and units in closed-end and restricted investment funds and guarantees issued which fall under the level 3. Please see the relevant note regarding determination of the fair value of participating investments and investment fund units. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken. No income or charges were recognised in the year in profit or loss or in equity.

There were no transfers in 2014 between Levels 1 and 2.

7.10. Other financial obligations

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

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
within 1 year	147	303
from 1 to 5 years	506	21
due after 5 years	-	-
Minimum irrevocable payments	**653**	**324**

7.11. Detail of transactions with related parties

The table below shows the relations involving payables, receivables, costs and revenue with related parties. Please see the comments under the individual items for information regarding the nature of the transactions.

(in thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial assets*	*Current loans and borrowings*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in liquidation (1)	-	22	-	-	(1,537)	-	-
Bredafin innovazione SpA in liquid.	-	20	-	-	-	-	-
Culti Srl	-	47	-	1,408	-	-	-
EM Moulds S.r.l.	-	5	-	-	-	-	-
ErgyCapital SpA	-	158	-	-	-	-	-
FEB-Ernesto Breda SpA	-	-	-	-	(18,834)	-	-
Intek Investimenti Srl	-	3	-	6	-	-	-
Idra International SA	273	-	-	-	-	-	-
I2 Capital Partners SGR S.p.A.2	-	-	-	-	(1,952)	-	(279)
I2 Real Estate Srl	-	-	-	3,942	-	-	-
KME AG	-	618	-	-	-	-	-
KME Brass France S.A.S.	-	22	-	-	-	-	-
KME Brass Germany Gmbh	-	4	-	-	-	-	-
KME Brass Italy srl	-	5	-	-	-	-	-
KME France S.A.	-	13	-	-	-	-	-
KME Germany & CO KG Gmbh	-	4	-	-	-	(7)	-
KME Italy SpA	-	58	-	-	-	-	-
KME Partecipazioni SpA	-	-	-	-	(13,814)	-	-
KME Srl	-	-	-	-	-	-	(31)
KME Spain S.A.	-	11	-	-	-	-	-
KME Yorkshire Ltd.	-	200	-	291	-	-	-
New Cocot Srl in liquidazione	175	-	-	-	-	-	-
Quattroduedue Holding B.V.	-	-	8	-	-	-	-
Quattroduedue SpA	-	37	-	1,489	-	-	-
Società Agr. San Vito Biogas Srl	-	185	-	-	-	-	-
Directors/Statutory Auditors	-	-	121	-	-	(131)	(2,086)
Receivables from guarantees issued	1,675	-	-	3,892	-	-	-
Payables/Receivables for tax consolidation	-	-	1,474	-	-	-	-
TOTAL	**2,123**	**1,412**	**1,603**	**11,028**	**(36,137)**	**(138)**	**(2,396)**
Total statement of financial position items	**2,796**	**9,207**	**10,431**	**11,038**	**(42,007)**	**(865)**	**(4,785)**
Effect	**75.93%**	**15.34%**	**15.37%**	**99.91%**	**86.03%**	**15.95%**	**50.07%**

(in thousands of Euro)	*Net income from investment management*	*Commissions on guarantees given*	*Other operating income*	*Personnel expenses*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia SpA in liquidation (1)	-	4	15	-	-	-	(37)
Bredafin innovazione SpA in liquid.	-	2	15	-	-	-	-
Culti Srl	(600)	5	-	-	(1)	39	-
EM Moulds S.r.l.	-	10	-	-	-	-	-
ErgyCapital SpA	-	25	-	-	-	-	-
FEB-Ernesto Breda SpA	7,959	-	25	-	-	-	(434)
FEB Investimenti Srl	-	-	-	-	-	-	-
Idra International SA	(163)	-	-	-	-	122	-
I2 Capital Partners SGR S.p.A.2	-	-	59	(312)	-	-	(57)
I2 Real Estate Srl	(1,764)	-	-	-	(272)	42	-
Immobiliare Agricola Limestre S.r.l.	-	1	-	-	-	-	-
Intek Investimenti Srl	2012	-	-	-	-	1	-
Inteservice Srl in liquidation	(29)					-	
KME AG	11,489	2,256	-	-	-	-	(4)
KME Brass France S.A.S.	-	12	-	-	-	-	-
KME Brass Germany Gmbh	-	12	-	-	-	-	-
KME Brass Italy srl	-	15	-	-	-	-	-
KME France S.A.	-	38			-	-	-
KME Germany & CO KG Gmbh	-	2,140	-	-	(14)	-	-
KME Italy SpA	-	129	-	-	(4)	-	-
KME Partecipazioni SpA	8,500	12	-	-	-	190	(107)
KME Recycle Srl	-	1	-	-	-	-	-
KME Srl	-	-	-	-	(25)	-	-
KME Spain S.A.	-	10	-	-	-	-	-
KME Yorkshire Ltd.	-	11	-	-	-	9	-
Malpaso Srl	(80)	-	-	-	-	-	-
Quattroduedue SpA	-	-	15	-	-	18	(28)
Rede Immobiliare Srl	-	-	-	-	-	1	-
Società Agr. San Vito Biogas Srl	-	38	-	-	-	-	-
Stock Options	-	-	-	(50)	-	-	-
Directors/Statutory Auditors	-	-	-		(1,251)	-	-
Impairment losses on investments/receivables	-	-	-		-	-	-
TOTAL	**25,292**	**4,721**	**129**	**(362)**	**(1,567)**	**422**	**(667)**
Total statement of financial position items	**25,085**	**4,721**	**857**	**(2,731)**	**(7,892)**	**451**	**(10,683)**
Effect	**100.83%**	**100.00%**	**15.05%**	**13.26%**	**19.82%**	**93.57%**	**6.24%**

7.12. *Disclosure of payments for services rendered by the Independent Auditors*

In accordance with article 149 *duodecies* of the "Issuers Regulation", the following table shows the payments made during the year for services provided by the Independent Auditors, KPMG SpA. and its subsidiaries:

(in thousands of Euro)	*TOTAL*	*Intek Group*	*Subsidiaries*
a) audit fees	1,241	142	1,099
b) fees other than audit			
- attestation services relating to			
financial covenants, fairness opinions	-	-	-
- other fees	61	42	19
c) fees charged by companies belonging to the independent auditors' network	-	-	-
Independent auditors' fees	**1,302**	**184**	**1,118**

Annexes to the notes to the interim financial information of the copper sector:

List of shareholdings as at 31 December 2014 and the changes compared to 31 December 2013

Investments (Euro)	Notes	Par Value	Balance as at 31 December 2013		Changes in the period (+ / -)		Adjustments	Balance as at 31 December 2014				Value on the stock Exchange at 31 December 2014		Difference
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average book value medio carico	Book value	Unit Value	Countervalue	
Subsidiaries and other shareholdings (recogn. under fin. fixed assets)														
KME A.G.	(*)	no nominal value	27.918.276	380.126.948	-	-	11.487.552	27.918.276	100,00%		391.614.500			
KME Germany Beteiligungs Gmbh	(*)		-	1.000.000	-	-	-	-	100,00%		1.000.000			
FEB - Ernesto Breda SpA	(*)	no nominal value	2.314.896.338	2.364.649	3.759.600	10.997	12.958.854	2.318.655.938	86,55%		15.334.500			
Intek Investimenti Srl (già FEB Investimenti Srl)	(*)	10.000	-	10.000	-	10.000	-	-	100,00%		20.000			
Malpaso Srl	(*)	10.000	1	50.000	-	60.000	(80.000)	1	100,00%		30.000			
Rede Immobiliare Srl	(*)	49.100	1	7.900.000	-	-	-	1	48,98%		7.900.000			
Idra International SA	(*)	50.569.400	1	1	-	-	-	1	100,00%		1			
Intomalte SpA	(*)	516	200	1	-	-	-	200	20,00%		1			
Interservice Srl in liquidation	(*)	90.000	1	1	-	-	-	1	100,00%		1			
Tecsinter Srl in liquidation	(*)	100.000	1	1	(1)	(1)	-	-	100,00%		-			
Newcocot Srl in liquidation	(*)	2.780	1	1	-	-	-	1	27,80%		1			
Progetto Ryan 2 Srl in liquidation	(*)	387.200	1	400.000	-	-	-	1	88,00%		400.000			
KME Partecipazioni SpA		1	47.900.000	73.000.000	-	-	8.500.000	47.900.000	100,00%		81.500.000			
I2 Capital Partners SGR SpA		1	1.500.000	2.500.760	-	-	-	1.500.000	100,00%		2.500.760			
I2 Real Estate Srl		110.000	1	15.163.673	-	-	(1.763.673)	1	100,00%		13.400.000			
Total				**482.516.035**		**80.996**	**31.102.733**				**513.699.764**			**-**
Subsidiaries and other shareholdings (recogn. under current assets)														
Total				**-**		**-**	**-**				**-**			**-**
Subsidiaries and other shareholdings (rec. under current assets - held for sale)														
Total				**-**		**-**	**-**				**-**			**-**
Treasury Shares (recognized as a reduction of consolidated equity)														
Intek Group S.p.A. saving shares		no nominal value	978.543	569.427	-	-		978.543	-	0,5819	569.427	0,5920	579.297	(9.870)
Intek Group S.p.A. saving shares		no nominal value	6.230.691	1.973.233	(1.134.945)	(359.528)		5.095.746	-	0,3167	1.613.705	0,3266	1.664.271	(50.566)
Total				**2.542.660**		**(359.528,00)**	**-**				**2.183.132**			**(60.436)**
Total				**485.058.695**			**31.102.733**				**515.882.896**			

(*): under "Investments and fund units"

List of indirect shareholdings as at 31 December 2014

Company Name	Reg. Office	Activity	Currency	Share Capital	% if Investments	Investor comapny	Total investments
Private Ltd.	India	Business	INR	28.766.250	90,61%	KME Germany Gmbh & Co. K.G.	90,61%
Bertram's GmbH	Germany	Services	Euro	300.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Breda Energia SpA in LCA	Italy	not operating	Euro	5.164.569	99,95%	Bredafin Innovazione SpA in LCA	100,00%
Breda Energia SpA in LCA					0,05%	FEB - Ernesto Breda SpA	
Bredafin Innovazione Spa in LCA	Italy	not operating	Euro	104.841	100,00%	FEB - Ernesto Breda SpA	100,00%
bvba KME Benelux sprl	Belgium	Business	Euro	62.000	84,70%	KME Germany Gmbh & Co. K.G.	100,00%
					15,30%	KME France S.A.S.	
Culti A.G. in liquidazione	Switzerland	Business	CHF	100.000	100,00%	Culti Srl	100,00%
Culti Srl	Italy	Furnishing	Euro	100.000	100,00%	KME Partecipazioni SpA	100,00%
Culti USA LLC	USA	Business	$US	-	100,00%	Culti Srl	100,00%
Culti Milano Srl	Italy	Furnishing	Euro	10.000	65,00%	Culti Srl	100,00%
					35,00%	KME Partecipazioni SpA	
Cuprum S.A.U.	Spain	Services	Euro	60.910	100,00%	KME Spain S.A.U.	100,00%
Dalian Dashan Chrystallizer Co. Ltd.	China	Industrial	RMB	40.000.000	70,00%	KME A.G.	70,00%
Dalian Dashan Heavy Machinery Co. Ltd.	China	Industrial	RMB	20.000.000	70,00%	KME A.G.	70,00%
Dalian ETDZ Surface Machinery Co. Ltd.	China	Industrial	RMB	10.000.000	70,00%	KME A.G.	70,00%
Editoriale Fiorentina Srl	Italy	Publishing	Euro	1.000.000	7,13%	KME Italy SpA	7,13%
EM Moulds Srl	Italy	Business	Euro	115.000	100,00%	KME Italy SpA	100,00%
ErgyCapital SpA (azioni ordinarie)	Italy	Services	Euro	26.410.666	49,04%	KME Partecipazioni SpA	49,04%
Europa Metalli - Tréfimétaux U.K. Ltd.	UK	not operating	LST	500.000	100,00%	KME Yorkshire Ltd.	100,00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	not operating	Euro	30.000	50,00%	KME A.G.	50,00%
Fricke GmbH	Germany	Industrial	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
GreenRecycle Srl	Italy	Trading of metals	Euro	500.000	100,00%	KME Recycle Srl	100,00%
HC Srl	Italy	not operating	Euro	10.000	100,00%	Culti Srl	100,00%
Il Post Srl	Italy	Services	Euro	207.550	18,80%	KME Partecipazioni SpA	18,80%
Immobiliare Agricola Limestre Srl	Italy	Real Estate	Euro	110.000	100,00%	KME A.G.	100,00%
Irish Metal Industries Ltd.	Ireland	not operating	Euro	127	100,00%	KME Yorkshire Ltd.	100,00%
kabelmetal Messing Beteiligungs GmbH, Osnabrück	Germany	Real Estate	Euro	4.512.200	100,00%	KME A.G.	100,00%
KMD (HK) Holding Limited	China	Holding	HKD	1.535.252.000	50,00%	KME A.G.	50,00%
KME – MAGMA Service Ukraine LLC	Ucraina	Business	UAH	14.174.217	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Srl	Italy	Services	Euro	115.000	100,00%	KME A.G.	100,00%
KME (Suisse) S.A.	Switzerland	Business	FS	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME AG	Germany	Holding	Euro	142.743.879	100,00%	Intek Group SpA	100,00%
KME America Inc.	USA	Business	USD	5.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Holding Inc.	USA	Holding	USD	2.600.000	61,54%	KME Germany Gmbh & Co. K.G.	100,00%
					38,46%	KME America Inc.	
KME America Marine Tube, LLC	USA	Design	USD	3.150.000	82,51%	KME America Marine Holding Inc.	82,51%
KME Asia Pte. Ltd.	Singapore	not operating	$SG	200.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass France S.A.S.	France	Industrial	Euro	7.800.000	100,00%	KME France S.A.S.	100,00%
KME Brass Germany GmbH	Germany	Industriale	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass Italy Srl	Italia	Industrial	Euro	15.025.000	100,00%	KME Italy SpA	100,00%
KME Chile Lda.	Cile	Trading of metals	PSC	9.000.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME France S.A.S.	Francia	Industrial	Euro	15.000.000	100,00%	KME A.G.	100,00%
KME Germany Bet. GmbH	Germany	Industrial	Euro	1.043.035	100,00%	Intek Group SpA	100,00%
KME Germany GmbH & Co. KG	Germany	Industrial	Euro	180.500.000	100,00%	KME A.G.	100,00%
KME Germany Holding Gmbh	Germany	not operating	Euro	25.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Germany Service Gmbh	Germany	not operating	Euro	25.000	1000,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Grundstuecksgesellschaft AG & Co. KG	Germany	not operating	Euro	49.900	99,00%	KME A.G.	100,00%
					1,00%	Dienstleistungsgesellschaft	
KME Ibertubos S.A.U.	Spain	Industrial	Euro	100.000	100,00%	KME Spain S.A.U.	100,00%
KME India Private Ltd.	India	Business	INR	5.897.750	99,80%	KME Germany Gmbh & Co. K.G.	100,00%
					0,20%	KME A.G.	
KME Italy S.p.A	Italy	Industrial	Euro	103.839.000	100,00%	KME A.G.	100,00%
KME Kalip Servis A.S.	Turkey	Business	TRY	950.000	85,00%	KME Germany Gmbh & Co. K.G.	85,00%
KME Marine Service America LLC	USA	Business	USD	1.000	100,00%	KME America Marine Holding Inc.	100,00%
KME Metals (Shanghai) Trading Ltd.	China	Business	USD	100.000	100,00%	KME A.G.	100,00%
KME Moulds Mexico S.A. de C.V.	Mexico	Business	MXN	7.642.226	99,00%	KME A.G.	100,00%
					1,00%	Kabelmetal Messing Bet. GmbH	
KME Moulds Service Australia PTY Ltd.	Australia	Business	AUD	100	65,00%	KME Germany Gmbh & Co. K.G.	65,00%
KME Partecipazioni SpA	Italy	Holding	Euro	47.900.000	100,00%	Intek Group SpA	100,00%
KME Polska Sp.z.o.o.	Poland	Business	PLZ	250.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Recycle Srl	Italy	Holding	Euro	2.000.000	100,00%	KME A.G.	100,00%
KME Service Russland Ltd.	Russia	Business	RUB	10.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Solar Italy Srl	Italy	Architectural Solutions	Euro	10.000	98,00%	KME Germany Gmbh & Co. K.G.	98,00%
KME Spain S.A.U.	Spain	Business	Euro	92.446	100,00%	KME A.G.	100,00%
Dienstleistungsgesellschaft mit beschraenkter	Germany	not operating	Euro	10.225.838	100,00%	KME A.G.	100,00%
KME Yorkshire Ltd.	UK	Industrial	LST	10.014.603	100,00%	KME A.G.	100,00%
Metalcenter Danmark A/S	Denmark	Business	DKK	1.524.880	30,00%	KME Germany Gmbh & Co. K.G.	30,00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Business	PLN	7.865.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Rede Immobiliare Srl	Italy	Real Estate	Euro	90.000	48,98%	Intek Group SpA	100,00%
					51,02%	Malpaso Srl	
KME Rolled France SAS	France	not operating	Euro	40.000	100,00%	KME Italy SpA	100,00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Business	$SG	400.100	25,00%	KME Germany Gmbh & Co. K.G.	25,00%
Tecno Servizi Srl	Italy	Real Estate	Euro	50.000	100,00%	I2 Real Estate Srl	100,00%
Valika S.A.S.	France	Trading of metals	Euro	200.000	51,00%	KME Recycle Srl	51,00%
XT Ltd.	UK	not operating	LST	430.000	100,00%	KME Yorkshire Ltd.	100,00%
Yorkshire Copper Tube	UK	not operating	LST	3.261.000	100,00%	KME Yorkshire Ltd.	100,00%
Yorkshire Copper Tube (Exports) Ltd.	UK	not operating	LST	-	100,00%	Yorkshire Copper Tube	100,00%
Metalko Srl	Italy	Trading of metals	Euro	10.000	100,00%	KME A.G.	100,00%
Oasi Dynamo Società Agricola Srl	Italy	not operating	Euro	-	100,00%	Immobiliare Agricola Limestre Srl	100,00%

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS PARA. 5 OF ITALIAN LEGISLATIVE DECREE 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 *bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of Intek Group S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the actual application of administrative and accounting procedures for the preparation of the Separate Financial statements during 2014, including the policies which the company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   Notes to the separate financial statements

   a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002. For the first time, beginning from the end of the last quarter of 2014, the Investment Entity accounting standard was applied to these financial statements (amendments to IFRS 10 and 12 and IAS 27 as introduced by EU regulation 1174/2013);
   b) reflect the balances recorded in the companies' books and accounting records;
   c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer.

   3.2 the Directors' Report contains a reliable analysis of the operating performance and results and the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 27 April 2015

The Chairman (Signed on the original)	The Manager in charge of Financial Reporting (Signed on the original)
Vincenzo Manes	*Giuseppe Mazza*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements as at 31 December 2014

Dear Shareholders,

The Board of Statutory Auditors reports on the supervisory activities as required by the law (and in particular, article 149 of Italian Legislative Decree 58/98 (the "TUF"), the rules of conduct for boards of statutory auditors of listed companies issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili [the National Board of Chartered and Public Accountants], the recommendations of Consob regarding corporate audits and the activities of the board of statutory auditors (in particular the communication of 20 February 1997,no. DAC/RM 97001574 and communication no. DEM 1025564 of 6 April 2001, which was subsequently supplemented with communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006) and the guidelines provided in the Code of Conduct.

This report is divided into chapters, in compliance with CONSOB disclosure requirements.

Significant events occurred in 2014

The main transaction, at the Group level, in 2014 was certainly the sale of the equity investment held in Cobra AT SpA through the subsidiary KME Partecipazioni, against Euro 74.3 million.

Furthermore, in the first quarter of 2015, the Company set up a complex financial transaction which can be summarized as follows:

- Promotion of a public exchange offer for all “Intek Group SpA 2012 – 2017” bonds and the “Strumenti finanziari partecipativi di natura obbligazionaria Intek Group S.p.A. 2012 – 2017”, with consideration being new bonds issued by Intek Group.
- the concurrent promotion of a public subscription offer of a bond loan (the "Offer to Subscribe"), with duration from 2015 to 2020 at a rate of 5% of a total amount equal

to approximately Euro 40 million, which the Company is allowed to increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer.

- the mandatory early redemption of the securities not used to participate in the Exchange Offer.

In consideration of the participations received for the exchange offer above, the completed subscription of the bond and the early redemption of the securities, the positive cash effect for the company was approximately €38 million.

The two aforementioned transactions provided the company with liquidity in the medium term for the pursuit of its corporate operations.

At the business level, the company continues to streamline its organizational structure in the copper sector, pursuing specialization of the business with the net separation of the business management for the special products from the business management of the standard products, as is fully explained in the Report.

A further significant indication for 2014 regards the fact that Intek Group considered that it was required to apply the IFRS standard on investment entities (amendments made to IFRS 10 and 12 and IAS 27) introduced with regulation EU no. 1174/2013 (the "Regulation"), beginning from 2014, both for the separate and the consolidated financial statements.

This standard provides that the investment entities measure fair value with effect on profit and loss of their investments in subsidiaries, while line by line consolidation shall be used only for equity investments in subsidiaries that are instrumental to the operations of the Group, all of which is described in further detail in the Directors' Report.

The Board of Statutory Auditors has met with the Board, the auditing firm and the Control and Risks Committee and received additional information on this application of the accounting standards, verifying that the determination of the fair value took place with the assistance of an independent and reliable expert, in the particular case Ernst & Young Financial Advisor S.p.A.

Atypical or unusual transactions, including intragroup or related party transactions during 2014

The Board has not detected any atypical or unusual transactions during the year.

There were no transactions with related parties that would have required prior examination by the specific Committee.

It is nevertheless noted that the Committee was involved in the issue in December 2014 of the bond pursuant to article 2410 of the Italian civil code.

For the ordinary transactions please see the details and comments provided in the Notes, which are exhaustive.

These transactions essentially related to the sale of goods and services in addition to financial and organisational transactions.

Observations or reference to disclosed information by the independent auditors / reports by Shareholders pursuant to article 2408 of the Italian Civil Code / representations.

During its periodic meetings, the Board of Statutory Auditors did not receive any information or reference to disclosed information from the Independent Auditors, nor did it receive communications from the latter during the meetings held in order to prepare this report, regarding the existence of observations and/or reference to disclosed information relating to the financial statements.

There are no further or different lawsuits other than those indicated in previous reports except for the ruling issued by the Naples Court of Appeals in October 2014 (following the appeal against Intek with regard to the bankruptcy administration of Mareco Sistemi Industriali Srl) with which the company was sentenced to pay Euro 2.5 million.

Intek appealed the above sentence in the Court of Cassation and requested, and obtained, suspension of the executive effectiveness of the aforementioned ruling. The Company has nevertheless allocated a special risk provision of Euro 2.6 million for this risk.

The developments and updates of the lawsuits that are ongoing are explained in detail within the Directors' Report.

No reports and statements have been submitted nor by shareholders pursuant to article 2408 of the Italian Civil Code.

Independent Auditors' services

In addition to auditing, for which total consideration of Euro 142 thousand was paid by the Parent, further Euro 1,099 thousand were paid by the Group for auditing.

The independent auditor and/or individuals related to the latter on an ongoing basis received additional mandates at the Group level amounting to Euro 61 thousand.

There were no critical aspects regarding the independence of the independent auditor.

Opinions issued by KPMG in compliance with legal requirements

In 2014, the Independent Auditors, KPMG, issued no comments pursuant to the law.

Supervisory activities and information acquired by the Board of Statutory Auditors

As is known, the Board of Statutory Auditors has also taken on the duty of "committee for internal control and auditing" and in this capacity it has regularly participated in the meetings of the Board of Directors which are indicated in detail within the Directors'

Report, and of the other committees established, coordinating in particular their activities with the internal audit function and that of the control and risks committee.
Moreover, meetings were held with the auditing company for the necessary exchange of information between the two bodies and on a continuing basis with the management of the company.

During 2014, the Board of Statutory Auditors met six times as in the previous year; participation in the meetings by the members was 94.4% (compared to 94 % in the previous year).
Absences of the Statutory Auditors were always justified.
During 2014, the Board of Statutory Auditors met one time.
Exhaustive information on the various corporate bodies of the company is contained in the Report on Corporate Governance accompanying the financial statements.
In the performance of its supervisory activities, at meetings and in frequent discussions, the Board of Statutory Auditors:
-confirmed compliance with legal requirements and the Articles of Association during the year;
-confirmed compliance with the principles of proper management, the existence of a satisfactory management structure and an adequate internal control system;
-confirmed that no information of particular relevance emerged at meetings with KPMG and the Directors, including pursuant to article 150 of Legislative Decree 58/1998;
-confirmed that subsidiaries provided all the information required by law and the Parent provided all the appropriate provisions required also by article 114, paragraph 2 of Legislative Decree 58/1998;
Where it was considered necessary, the Board also had contacts with certain members of the board of statutory auditors of certain subsidiaries, or with the persons in charge at the relative audit firms;

verified that all impairment testing procedures at Group level took place with the support of the appropriate independent advisors, in this case Ernst & Young Financial Advisor S.p.A.

The Board checked that the measurement of the fair value applied by the company to the investments in controlling equity investments had been assigned to an independent and reliable advisor, in this case Ernst & Young Financial Advisor S.p.A.

Confirmed that the Company has published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes.

During 2014, the Board participated in the meetings of the Remuneration Committee held on 28 April 2014 and 02 December 2014 and in the meetings of the Control and Risks Committee held on 28 April 2014, 05 August 2014, 13 November 2014 and 02 December 2014.

Requested and received from management continuous updates and information on pending litigation, detailed information on which is not outlined herein since it is contained in the Directors' Report.

Confirmed that the company's organizational structure is adequate in terms of the coordination activity of the group.

The Board also verified:

- that the Company complied with the code of conduct prepared by Borsa Italiana S.p.A.;
- that the Company has regularly established the "Remuneration Committee" and the "Control and Risks Committee," both being committees that operated regularly throughout 2014;
- that the Board is comprised of five independent directors, a number which is considered adequate for the operations of the Board;
- that the Managing Directors reported to the Board the operations carried out in terms of the delegations conferred upon them.

During 2014 the Board met with members of the Supervisory Body who are external to the company, and also with the manager of the internal auditing department.

The Board of Statutory Auditors carried out the periodic verification of the existence, for each of its own members, of the requirement for "independence" and "professionalism," and also verified the independence requirements of the members of the Board of Directors and in general, that there were no reasons preventing the offices assigned, and also compliance with the plurality of offices and the interlocking rules.

Analysis of the 2014 separate financial statements

The financial statements as at 31 December 2014 show a positive result of Euro 10.9 million.

This result benefited by Euro 19.1 million deriving from the effect, net of taxes, of the application of the investment entity standard under the terms and conditions indicated above.

As indicated in the Directors' Report, in the absence of this effect, the result would have been negative by Euro 8.2 million also due to the non-recurring expenses of Euro 5.2 million.

The income thus obtained was placed in an item to be applied to a non- distributable reserve.

The Directors' Report provides detailed information regarding the performance of the various investments, and the Company's equity and financial position.

On 30 April 2015 the Independent Auditors issued an unqualified opinion on the financial statements.

On 27 April 2015 the Chairman of the Company, Vincenzo Manes and the Manager in Charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, provided the Directors and Statutory Auditors with a statement – also in compliance with article 154 bis of Legislative

Decree 58/1998 – certifying the adequacy, for a company of this type, of the management and accounting procedures for the preparation of separate and consolidated financial statements for the year 2014, and the compliance of the financial statements with international financial reporting standards.

In conclusion, the Board's evaluation of the company's internal control system is positive.

Proposal to Shareholders

The Board of Statutory Auditors is in agreement with the proposed approval of the separate financial statements as at and for the year ended 31 December 2014 and the appropriation of profit for the year of € 10,945,322.00 as follows:

- 5% to the legal reserve , up to Euro 547,267.00;

-allocation to the appropriate restricted reserve pursuant to article 6 of Italian legislative Decree 38/2005, of the profits from the application of the fair value criterion of Euro 10,398,055.00. The Board expresses its opinion in favour of the proposal of the Board of Directors to the Shareholders' Meeting to distribute saving shares to the shareholders as dividends. This attribution will take place through the assignment of 1 savings share for each 111 ordinary shares and/or saving shares held.

The dividend will be assigned on 1 July 2015 with detachment on 29 June 2015 respectively of coupon no.5 for the savings share and the coupon no. 4 for ordinary shares.

Milan, 30 April 2015.

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

Marco Lombardi

The standing auditor

(Francesca Marchetti)

The standing auditor

(Alberto Villani)

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2014, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors represented some of the corresponding figures included in the prior year separate financial statements. We audited such financial statements and issued our report thereon on 30 April 2014. We have examined the methods used to determine the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Intek Group S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Intek Group S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on corporate governance and ownership

structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2014.

Milan, 30 April 2015

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit

INTEK GROUP

Consolidated Financial Statements at 31 December 2014

Intek Group – Consolidated financial statements at 31 December 2014

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Notes*	*31 Dec. 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Investments in equity interests and fund units	*4.1*	437,860		9,380	
Non-current financial assets	*4.2*	11,760	*9,036*	6,821	*175*
Investment property	*4.3*	4,488		80,665	
Property, plant and equipment	*4.4*	456		540,426	
Goodwill	*4.5*	1,000		125,801	
Intangible assets	*4.6*	4		2,569	
Instrumental equity investments	*4.7*	-	-	11,940	*11,940*
Investments in other companies	*4.7*	-	-	270	*270*
Investments in equity-accounted investees	*4.7*	-	-	38,601	*38,601*
Other non-current assets	*4.8*	484		6,252	
Deferred tax assets	*4.23*	8,633		67,951	
Total non-current assets		**464,685**		**890,676**	
Current financial assets	*4.9*	12,131	*11,664*	101,270	*10,915*
Inventories	*4.10*	-		525,593	
Trade receivables	*4.11*	11,040	*1,838*	123,762	*6,406*
Other current receivables and assets	*4.12*	14,636	*138*	57,581	
Cash and cash equivalents	*4.13*	48,940		41,795	
Total current assets		**86,747**		**850,001**	
Non-current assets held for sale	*4.14*	1,559		7,795	
Total assets		**552,991**		**1,748,472**	

The notes are an integral part of these consolidated financial statements

The information on transactions with related parties is provided in note 4.24.

Intek Group – Consolidated financial statements at 31 December 2014

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Notes*	*31 Dec. 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Share capital		314,225		314,225	
Reserves		28,251		130,368	
Treasury shares	*2.12*	(3,638)		(3,998)	
Retained earnings (accumulated losses)		(76,318)		53,806	
Convertible loan	*2.12*	24,000		20,844	
Consolidation reserves	*4.15*	-		(165,329)	
Reserve of Other comprehensive income	*4.15*	(33)		(55,433)	
Profit(loss) for the period		155,851		(26,920)	
Equity attributable to owners of the Parent	***2.12***	**442,338**		**267,563**	
Non-controlling interests		-		6,623	
Total equity	***2.12***	**442,338**		**274,186**	
Employee benefits	*4.16*	471		234,664	
Deferred tax liabilities	*4.23*	1,728		101,012	
Non-current loans and borrowings	*4.17*	63,147		154,464	
Other non-current liabilities	*4.18*	938		12,139	
Provisions for risks and charges	*4.19*	6,101		24,422	
Total non-current liabilities		**72,385**		**526,701**	
Current loans and borrowings	*4.20*	29,404	*20,372*	351,220	*4,986*
Trade payables	*4.21*	1,276	*138*	481,431	*348*
Other current liabilities	*4.22*	7,588	*2,090*	101,035	*2,878*
Provisions for risks and charges	*4.19*	-		13,899	
Total current liabilities		**38,268**		**947,585**	
Total liabilities and equity		**552,991**		**1,748,472**	

The notes are an integral part of these consolidated financial statements

The information on transactions with related parties is provided in note 4.24.

Intek Group – Consolidated financial statements at 31 December 2014

Income Statement and Statement of other comprehensive income

(in thousands of Euro)	*Ref. Notes*	*2014*	*of which related parties*	*2013*	*of which related parties*
Revenue from sales and services	*5.1*	2,027,954	*177,472*	2,335,124	*14,857*
Change in inventories of finished and semi-finished products		(2,037)		(1,696)	
Capitalised internal work		1,506		1,851	
Other operating income	*5.3*	102,116	*3,244*	26,147	*131*
Purchases and change in raw materials	*5.2*	(1,488,665)	*(24,474)*	(1,747,686)	*(102)*
Personnel expenses	*5.4*	(291,870)	*(26)*	(299,124)	*(342)*
Amortisation, depreciation and impairment losses	*5.5*	(39,123)		(44,623)	
Other operating costs	*5.6*	(288,786)	*(3,536)*	(279,960)	*(2,910)*
Operating profit/(loss)		**21,095**		**(9,967)**	
Financial income	*5.7*	48,011	*94*	6,541	*884*
Financial expense	*5.7*	(41,529)	*(169)*	(26,958)	*(4,439)*
Share of loss of equity-accounted investees	*5.8*	(5,211)	*(5,538)*	(2,165)	*(2,165)*
Fair value change on investments	*5.9*	146,628	*146,628*	-	
Profit/(loss) before taxes		**168,994**		**(32,549)**	
Current taxes	*5.10*	(2,753)		(14,438)	
Deferred taxes	*5.10*	(10,276)		20,449	
Total income taxes		**(13,029)**		**6,011**	
Profit/ (Loss) from continuing operations		**155,965**		**(26,538)**	
Profit /(loss) from discontinued operations		-		-	-
Profit/(loss) for the year		**155,965**		**(26,538)**	
Other comprehensive income					
Employee defined benefit plans		*(3,746)*		*(1,337)*	
Tax on other comprehensive income		-		-	
Components that will not be reclassified to profit or loss		(3,746)		(1,337)	
Exchange rate gains/ (losses)		11,554		(553)	
Net change in hedging reserve		(1,422)		960	
Other		1		1,993	
Taxes on other comprehensive income		(2,791)		(894)	
Items that will be reclassified to profit or loss		7,342		1,506	
Other comprehensive income, net of tax effect:		3,596		169	
Total comprehensive income (expense) for the year		**159,561**		**(26.369)**	
Profit/(loss) for the year attributable to:					
- to non-controlling interests		114		382	
- to owners of the parent		155,851		(26,920)	
Profit/(loss) for the year		155,965		(26,538)	
Total comprehensive income attributable to:					
- to non-controlling interests		374		(306)	
- to owners of the parent		159,187		(26,063)	
Total comprehensive income for the year		159,561		(26,369)	
Earnings per share (in Euro)					
Basic earnings (losses) per share		0.0172		(0.0972)	
Diluted earnings (losses) per share		0.0158		(0.0899)	

In the calculation of the profits for 2014, the effect of the item "fair value measurement on investments" was excluded

The notes are an integral part of these consolidated financial statements

The information on transactions with related parties is provided in note 4.24.

Statement of changes in equity at 31 December 2013

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2012 – Restated	**314,225**	**129,110**	**(3,998)**	**72,188**	**24,000**	**(104,979)**	**(55,856)**	**(78,732)**	**295,958**	**6,743**	**302,701**
Allocation of Parent's profit/ (loss)	-	-	-	(18,382)	-	-	-	18,382	-	-	-
Allocation of subsidiaries' profit/ (loss)	-	-	-	-	-	(60,350)	-	60,350	-	-	-
Repurchase of convertible loan	-	-	-	-	(3,156)	-	-	-	(3,156)	-	(3,156)
Deferred taxes on equity items	-	(67)	-	-	-	-	-	-	(67)	-	(67)
Expiry of stock options	-	351	-	-	-	-	-	-	351	-	351
Other changes	-	974	-	-	-	-	-	-	974	(248)	726
Total comprehensive income	-	-	-	-	-	-	423	-	423	(254)	169
Profit/(loss) for the yea	-	-	-	-	-	-	-	(26,920)	(26,920)	382	(26,538)
Total comprehensive income (expense)	-	-	-	-	-	-	423	(26,920)	(26,497)	128	(26,369)
Equity at 31 December 2013	**314,225**	**130,368**	**(3,998)**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**
Reclassification of treasury shares	(3,998)	-	3,998	-	-	-	-	-	-	-	-
Equity at 31 December 2013	**310,227**	**130,368**	**-**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**

At 31 December 2013 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these consolidated financial statements

Intek Group – Consolidated financial statements at 31 December 2014

Statement of changes in equity at 31 December 2014

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2013	**314,225**	**130,368**	**(3,998)**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**
Allocation of Parent’s profit/ (loss)	-	-	-	(158)	-	-	-	158	-	-	-
Allocation of subsidiaries’ profit/ (loss)	-	-	-	-	-	(26,762)	-	26,762	-	-	-
Sale of treasury shares	-	10	360	-	-	-	-	-	370	-	370
Deferred taxes on equity items	-	(65)	-	-	-	-	-	-	(65)	-	(65)
Expiry of stock options	-	51	-	-	-	-	-	-	51	-	51
Other changes	-	-	-	-	-	3,828	-	-	3,828	(263)	3,565
Changes by Investment Entity	-	(102,113)	-	(129,966)		188,263	60,313	-	16,497	-	16,497
Changes by Investment Entity	-	-	-	-	3,156	-	(8,249)	-	(5,093)	(6,734)	(11,827)
Total comprehensive income	-	-	-	-	-	-	3,336	-	3,336	260	3,596
Profit/(loss) for the year	-	-	-	-	-	-	-	155,851	155,851	114	155,965
Total comprehensive income (expense)	-	-	-	-	-	-	3,336	155,851	159,187	374	159,561
Equity at 31 December 2014	**314,225**	**28,251**	**(3,638)**	**(76,318)**	**24,000**	**-**	**(33)**	**155,851**	**442,338**	**-**	**442,338**
Reclassification of treasury shares	(3,638)	-	3,638	-	-	-	-	-	-	-	-
Equity at 31 December 2014	**310,587**	**28,251**	**-**	**(76,318)**	**24,000**	**-**	**(33)**	**155,851**	**442,338**	**-**	**442,338**

(*) Of which Euro 3,740 thousand from changes in the shareholders' equity of investee Cobra AT.

At 31 December 2014 the Parent directly held 978,543 savings shares and 5,095,746 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

The notes are an integral part of these consolidated financial statements

Intek Group – Consolidated financial statements at 31 December 2014

Statement of cash flows - indirect method

(in thousands of Euro)		*2014*	*2013*
(A) Cash and cash equivalents at the beginning of the year		**41,795**	**65,813**
Profit (loss) before taxes		168,994	(32,549)
Amortisation and depreciation of property, plant and equipment and intangible assets		39,089	42,620
Impairment losses on current assets		-	1,766
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		208	(2,186)
Impairment losses (reversal of impairment losses) on current and non-current financial assets		(186,155)	5,214
Capital losses/(gains) on non-current assets		(25,230)	-
Changes in provisions for pensions, post-employment benefits and stock options		2,940	(1,711)
Changes in provisions for risks and charges		1,468	(14,497)
Decrease (increase) in inventories		46,158	44,780
Share of profit of equity-accounted investee		5,212	2,165
Increase / decrease in current receivables		4,224	2,203
Increase / (decrease) in current payables		2,993	(24,779)
Changes from currency translation		(149)	(1,767)
Decrease / (increase) in LME and currency forward contracts		(9,977)	12,873
Taxes paid during year		(24,474)	(13,332)
(B) Total Cash flows from (used in) operating activities		**34,465**	**20,800**
(Increase) in non-current intangible assets and property, plant and equipment		(24,474)	(30,074)
Decrease in non-current intangible assets and property, plant and equipment		27,433	5,562
Increase/ decrease in investments		38,893	(6,579)
Increase/decrease in other non-current assets/liabilities		7,672	(3,232)
(C) Cash flows used in investing activities		**48,369**	**(34,414)**
(Purchase) sale of treasury shares and similar shares		370	(3,404)
Decrease in current and non-current loans and borrowings		(67,386)	(17,646)
(Increase)/ Decrease in current and non-current loan assets		18,074	10,646
(D) Cash flows from (used in) financing activities		**(48,942)**	**(10,404)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**33,892**	**(24,018)**
(F) Change in scope of consolidation		**(2,273)**	**-**
(G) Application of the Investment Entity Principle		**(24,474)**	**-**
(H) Cash and cash equivalents at the end of the year	**(A) + (E) + (F) + (G)**	**48,940**	**41,795**

The notes are an integral part of these consolidated financial statements

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

The total cash flow from operating activities includes non-recurring cash flows of Euro 21.8 million, from the sale of the sanitary tubing operation in Great Britain.

Intek Group – Consolidated financial statements at 31 December 2014

Notes

1. General information

INTEK Group is 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 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 S.p.A.

The consolidated financial statements at 31 December 2014 were approved by the Board of Directors on 27 April 2015 and will be published in accordance with legal requirements.

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

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

2. Accounting policies

2.1. Assessment of Investment Entity status

In order for an entity to be considered an investment entity pursuant to paragraph 27 of IFRS 10 it must:

a) obtain funds from one or more investors with the objective of providing its investors with investment management services;

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

Based on its own operations and disclosures to the market Intek Group considers that it has essentially fulfilled the first two characteristics as from its merger in 2012. In the fourth quarter of 2014, in addition to a more defined identification of the selling strategies, it aligned its internal and external disclosures with fair value.

The company considers that it has also satisfied all the typical characteristics of investment entities as provided by paragraph 28 of IFRS 10:

a) it has more than one investment;

b) it has more than one investor;

c) it has investors that are not related parties of the entity; and

d) it has ownership interests in the form of equity or similar interests.

In light of the above, Intek Group has drafted its own separate financial statements at 31 December 2014 applying, from the end of the fourth quarter, the accounting standards relative to investment entities and therefore measuring the investments in non-instrumental subsidiaries at fair value, which are no longer consolidated line by line.

As provided by paragraph 30 of IFRS 10, this application was applied prospectively and therefore it was not necessary to restate the values of previous years. Adoption of the investment entity principle resulted in a positive effect on equity of Euro 150.9 million and the result for the year which amounted to Euro 146.6 million, net of the tax effect.

Following the adoption of the investment entity principle, amendments were made to the financial statements.

In particular, in the statement of financial position:

- the item "*investments in equity interests and fund units*" was created which includes all the investments in equities and also the investments in units of mutual funds which had previously been classified under the item "Non current financial assets";
- the item "*Equity investments in subsidiaries and associates* "has been renamed "*Instrumental equity investments*". As from 31 December 2014, this item contains the equity investments that are not of a financial investment nature.

For the income statement of the financial year and other comprehensive income, the item "fair value change on investments" was created. All the income and expenses relative to the measurement and trading of investment interest and mutual fund units are placed in this item. In 2014 the item also contains the effect of the accounting standard change.

The structure of the income statement for the year and the other comprehensive income was kept similar to the previous year in these financial statements, since assuming at the status of investment entity took place at the end of the year.

The changes in the presentation involve also the amounts relatied to the previous year, except for the equity investments which in 2013 were not of an investment nature.

2.2. Basis of presentation

The consolidated financial statements at and for the year ended 31 December 2014 have been prepared pursuant to article 154 *ter* of Legislative 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 Legislative Decree 35/2005 where applicable.

The consolidated financial statements at 31 December 2014 are composed of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in equity, as well as the Notes thereto. The financial statements and the notes to the financial statements contained, in addition to the amounts related to the reference period, also the corresponding comparison data at 31 December 2013, which was represented from the information presented in the financial statements at 31 December 2013 for comparison with the information in the reference financial statements. The procedures used for reclassification of the comparative data are explained in paragraph 2.1.

The statement of financial position has been prepared by distinctly classifying the current and non-current assets and the current and non-current liabilities.

The Group has opted for presentation of a single statement of comprehensive income in which the items of revenue and cost recognized during the year are presented, including the financial expenses, the share of the profit (loss) of associates and joint ventures accounted for using the equity method, the tax expenses, and a single amount relative to the total discounted operations. “Other comprehensive income” comprises the itmes that, upon the specific indication of the individual IFRS, are recognized separately from the profit (loss). These elements are divided into two categories as follows:

- those items that will not be subsequently reclassified to profit or loss;

- those items that will be subsequently reclassified to profit or loss, when specific conditions are fulfilled.

The amount attributable to the owners of the parent as well as the amount attributable to the non-controlling interests are given for the results of the year and the total comprehensive income.

The method used for the presentation of cash flows within the statement of cash flowsis the indirect method, according to which the profit (loss) for the year is adjusted by the effects of:

- changes in receivables, inventories and payables generated by operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flow from (used in) investing or financing activities.

In the statement of cash flows, for changes in the consolidation area, the changes in the assets were considered on the basis of the first consolidation date.

In preparing the consolidated financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements at 31 December 2013, except for the standards effective as from 1 January 2014 and for the changes occurred after the assessment of Investment Entity status as described in paragraph 2.1 .

The accounting standards, amendments and interpretations, into force since 1 January 2014, applied for the first time by the company, which nevertheless had no significant effect on shareholders' equity or the profit/loss for the reporting period, are the following:

- *Amendments to IAS 32 - Financial Instruments: Presentation.* On 16 December 2011, the IASB clarified the requirements for offsetting financial assets and financial liabilities and published an amendment to IAS 32 with the title "Offsetting Financial Assets and Financial Liabilities." The amendments are applicable retroactively; however, adoption of the new standard did not have significant effects on the consolidated financial statements.
- *Amendments to IAS 36 -Recoverable Amount Disclosures for Non-Financial Assets.* In October 2012, the IASB issued this amendment in order to clarify the information to be disclosed regarding the recoverable value of assets, when this value is based on the fair value less costs to sell, only for assets that have become impaired. The adoption of this standard did not produce effects on the Group's financial statements.
- *Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting.* The amendments refer to circumstances when a hedging instrument is required to be novated to a central counterparty because of laws or regulations. The hedge can thus continue to be separate from the novation, which would not be allowed without the amendment.

The new standards to apply had no effect on the recognition pertaining to these consolidated financial statements.

The Group has not yet applied the accounting standards which are listed below in paragraph 2.25 and which, although already issued by the IASB, will become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognized and presented with respect to their economic substance rather than legal form.

Specific notes contained in the Directors' Report disclose the content and meaning of the alternative performance indicators, where applicable, which, although not required by IFRS, comply 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.

2.3. 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 financial statements for the copper sector at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognized as “goodwill and goodwill arising on consolidation” and in the profit or loss, if negative. The portion of equity and profit (loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, “goodwill” is measured at cost less accumulated impairment losses as required by IAS 36 - Impairment of Assets.

In addition to the subsidiaries held for investment purposes, the consolidation area also does not include the subsidiaries that are not significant and the companies the consolidation of which does not produce substantial effects. Ignoring such companies has no material effect on the Group’s financial statements and will have no influence on the business decisions of the financial statements for the copper sector users.

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

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

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

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

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

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

c) the profits or losses correlated with the loss of control attributable to the former controlling investment are recorded.

d) the amounts recognized among other comprehensive income relative to the former subsidiary are reclassified in the income statement of the year or transferred directly to retained earnings, if so provided by other IFRS.

Following is a list of subsidiaries consolidated using the line by line method until the fourth quarter of 2014, the date on which the accounting standard relative to investment entities was adopted. Following the adoption of this principle, only the equity investments in subsidiaries the operations of which are considered instrumental to the parent are consolidated on a line by line basis. KME Partecipazioni SpA, I2 Capital Partners SGR SpA and I2 Real Estate Srl, all wholly-owned, are considered to be such companies.

On the date that the accounting standard on investment entities was adopted, the net value of the assets and liabilities of the equity investments of an investment nature was replaced with the relative fair value and the differences were recognized in profit and loss.

In addition to the changes arising from the adoption of the investment entity standard, there was a change in the consolidation area compared to 31 December 2013. The change was due to the deconsolidation of KMD Connectors Stolberg GmbH following the conclusion, on 18 March 2014, of the joint venture between KME Ag and the Chinese company Golden Dragon Precise Copper Tube Group Inc (GD). This agreement resulted in the KME Group contributing the Stolberg facility in Germany, which was historically dedicated to producing connectors for machinery from decommissioned production facilities and the know-how of the KME Group in this area. GD will invest all financial resources required for the construction of the production facility for laminated products for connectors in China, in the province of Henan. During 2014, the liquidation of Tecsinter S.r.l. was also completed.

NA	Registered office	Currency	Share capital	Activity	% ownership direct	Indirect
Intek Group SpA	Italy	Euro	314,225,01	Holding company	Parent	
KME A.G.	Germany	Euro	142,743,87	Holding company	326.79	
Bertram's GmbH	Germany	Euro	300,000	Services:		100.00
Cuprum S.A.	Spain	Euro	60,910	Services:		100.00
Dalian Dashan Chrystallizer Co. Ltd. Ltd	China	RMB	40,000,000	EUR Copper and alloys		70.00%
Dalian Heavy Industry Machinery Co. Ltd.	China	RMB	20,000,000	EUR Copper and alloys		70.00%
Dalian Surface Machinery Ltd.	China	RMB	10,000,000	EUR Copper and alloys		70.00%
EM Moulds S.r.l.	Italy	Euro	115,000	Trading		100.00
Fricke GmbH	Germany	Euro	50,000	EUR Copper and alloys		100.00
Green Recycle Srl	Italy	Euro	500,000	Trading of metals		100.00
Immobiliare Agricola Limestre S.r.l.	Italy	Euro	110,000	Business		100.00
Kabelmetal Messing Beteiligungsges mbH	Germany	Euro	4,514,200	Business		100.00
KME Brass France S.A.S.	France	Euro	7,800,000	EUR Copper and alloys		100.00
KME Brass Germany Gmbh	Germany	Euro	50,000	EUR Copper and alloys		100.00
KME Brass Italy srl	Italy	Euro	15,025,000	EUR Copper and alloys		100.00
KME France S.A.S.	France	Euro	15,000,000	EUR Copper and alloys		100.00
KME Germany A.G. GmbH	Germany	Euro	1,043,035	Finance	100.00	
KME Germany GmbH & Co. KG..	Germany	Euro	180,500,00	EUR Copper and alloys		100.00
KME Grundstueckgesellschaft AG &Co KG	Germany	Euro	50,000	Business		100.00
KME Ibertubos S.A.	Spain	Euro	100,000	EUR Copper and alloys		100.00
KME Italy SpA	Italy	Euro	103,839,00	EUR Copper and alloys		100.00
KME Moulds Mexico SA de CV	Mexico	MXN	7,642,237	Trading		100.00
KME Moulds Service Australia PTY Ltd.	Australia	AUD	100	Trading		65.00%
KME Recycle Srl	Italy	Euro	2,000,000	Finance		100.00
KME Service Russland Ltd.	Russia	RUB	10,000	Trading		70.00%
KME Spain S.A.	Spain	Euro	92,446	Trading		100.00
KME Srl	Italy	Euro	115,000	Services:		100.00
KME Verwaltungs und Dienst. mit beschr.	Germany	Euro	10,225,838	non-operating		100.00
KME Yorkshire Ltd.	Great Britain	GBP	10,014,603	EUR Copper and alloys		100.00
Valika S.A.S.	France	Euro	200,000	Trading of metals		51.00%
Yorkshire Copper Tube	Great Britain	GBP	3,261,000	non-operating		100.00
Yorkshire Copper Tube (Exports) Ltd.	Great Britain	GBP	-	non-operating		100.00
KME Partecipazioni SpA	Italy	Euro	47,900,000	Holding company	100.00	
FEB - Ernesto Breda SpA	Italy	Euro	577,671	Holding company	86.55%	
I2 Capital Partners SGR S.p.A.2	Italy	Euro	1,500,000	Management of investment	100.00	
I2 Real Estate Srl	Italy	Euro	110,000	Business	100.00	
Idra International SA	Luxembourg	Euro	50,569,400	Holding company	100.00	
Inteservice Srl in liquidation	Italy	Euro	90,000	In liquidation	100.00	
Malpaso Srl	Italy	Euro	10,000	Business	100.00	
Rede Immobiliare Srl	Italy	Euro	90,000	Business	48.98%	51.02%
Tecno Servizi Srl	Italy	Euro	50,000	Business		100.00

In order to comply with a legal provision in Germany, it is stated that:

"Pursuant to Art. 264b HGB (German Commercial Code) the subsidiaries KME Germany Gmbh & Co. KG, Osnabrück, and pursuant to art. 264 para. 3 HGB (German Commercial Code) KME Brass Germany GmbH, Osnabrück, Fricke GmbH, Osnabrück, and Bertram's GmbH, Osnabrück, do not prepare a "management report" and do not publish their annual report".

(b) Associates

Associates are all those companies over which the Intek Group exercises significant influence but not control. Significant influence is deemed to exist when the Intek Group holds, directly or indirectly through subsidiaries, 20% or more of the voting rights in the investee shareholders' meeting. The equity investments in associated companies, which are not of a financial investment nature, 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.

(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.

The joint ventures, which are not of a financial investment nature, are consolidated using the equity method as required by IFRS 11, paragraph 24.

Foreign currency transactions

(a) Functional and presentation currency

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

(b) Foreign currency translation

Financial statements in currencies other than the Euro are translated using the average exchange rates for the period for statement of comprehensive income items and the relevant closing exchange rates for statement of financial position items.

The exchange rates used for the translation of foreign currencies are those set by the European Central Bank at the year end:

	GBP British Pound	**RMB Chinese Yuan**	**MXN Mexican Peso**	**AUD Australian Dollar**	**RUB Russian Rouble**
31 Dec. 2013	0.8337	8.3491	18.0731	1.5423	45.3246
31 December 2014 - used for translation of the statement of financial position	0.7789	7.5358	17.8679	1.4829	72.3370
2014 average - used for translation of the statement of comprehensive income	0.8066	8.1726	17.6720	1.4734	50.9865

The difference between the profit (loss) for the year resulting from translation using the average rates for the year and that which results from the translation using the rates at end December, is recognized in the technical consolidation reserves (portion attributable to owners of the parent) and in Equity attributable to non-controlling interests (non-controlling interests portion). These differences, in the event of disposal, will be recognized in profit or loss together with any other gains or losses relating to the disposal of the relevant investment.

2.4. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities made in order to obtain a yield from the capital appreciation, the income from the investment or both. Units in investment funds are also included in this item.

These assets are measured at fair value through profit or loss.

Measurement at fair value

The initial fair value is determined by means of a transaction price, and therefore it is equal to the consideration paid.

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, with the support of independent consultants using measurement techniques, based on a series of methods and assumptions relating to market conditions at the end of the year. The fair value of non-derivative financial instruments is determined by discounting future cash flows at the market interest rate at the end of the year.

The measurement techniques based on the discounted cash flows generally require determination of an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and adoption of market parameters for the discounting: the rate or the discount margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

2.5. Investment property

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially recognized at fair value with any subsequent changes recognized in profit or loss and are, consequently, not systematically amortised.

For determination of the fair value, reference is made to a specific value, mainly provided by external appraisals, carried out by independent third parties who possess recognized professional qualifications and have experience in the specific type of properties. These appraisals are conducted taking into account transactions at current prices in an active market for similar real estate assets, in the same location and condition and which are subject to similar terms and conditions insofar as rents and other contracts.

2.6. Financial assets and liabilities

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 includes 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 book value.

Determination of impairment losses

All financial assets and liabilities, with the exception of “Financial assets and liabilities at fair value through profit or loss”, are tested for impairment in accordance with IAS 39, paragraphs 58-70.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of projected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

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

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

Losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and available-for-sale assets, which are debt instruments, are recognized in profit or loss.

Measurement at fair value

The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, on initial recognition, is determined on the basis of the transaction price and is, therefore, equal to the amount paid or received.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions on the date of the financial statements for the copper sector. The fair value of interest rate swaps is calculated with reference to the present value of expected future cash flows. The fair value of currency forward contracts is determined with reference to the forward exchange rate at the end of the reporting period.

The measurement techniques used are the discounted cash flow method, the cost method and the equity method.

The measurement techniques based on the discounted cash flows generally require determination of an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and adoption of market parameters for the discounting: the rate or the discount margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

Fair value adjustments of derivative instruments not classified as hedging instruments are immediately recognized in profit or loss.

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

The fair value of price fixing sales and purchase contracts is determined with reference to the market price on the date of the financial statements for the copper sector, of the contract’s metal component compared to the contract price. Fair value also reflects counterparty risk and the time value of money through discounting, when this is significant.

The *fair value* of forward agreements on currencies is determined using the exchange rate curve applicable on the measurement.

With regard to forward agreements on currencies, from 2013 the Group has applied the requirements set forth in IAS 39 “Hedge Accounting,” in particular the derivative financial instruments are accounted for using the procedures for hedge accounting only when, at the beginning of the hedge, there is a formal designation, provided the hedge is highly effective and this effectiveness can be reliably measured.

When financial instruments have the characteristics required for hedge accounting, the following accounting treatments are applied:

Fair value hedge: if a derivative financial instrument is designated as a hedge against exposure to changes in fair value of an asset or liability attributable to a particular risk which can affect profit or loss, the profit or the loss deriving from the subsequent changes in the fair value of the hedging instrument are recognized in the profit or loss. The profit or the loss of a hedged item, which is attributable to the hedged risk, modify the book value of this item and are recognized in profit or loss.

Cash flow hedge: if a derivative financial instrument is designated as the hedge against changes in future cash flows of an asset or liability or an expected transaction which is highly probable and could produce effects on the profit or loss, the effective portion of the profits or the losses of the financial instrument (change in the fair value) is recognized in equity. The accumulated profit or loss is reversed from equity and accounted for in profit or loss in the same period in which the transaction which constituted the object of the hedge took place.

Any profits or losses associated with a hedge which has become ineffective are immediately recognized in profit or loss. If a hedging instrument or a hedging relationship are closed, but the transaction which constitutes the object of the hedge has not yet taken place, the cumulative profits and losses (recognized up to that time in equity) are recognized in profit or loss at the time the relative transaction takes place. If the transaction which is hedged is no longer probable, the profits or the losses which have not yet been realized and have been temporarily recognized in equity are immediately recognized in profit or loss.

If it is not possible to apply hedge accounting, the profits or the losses from the fair value measurement of the derivative financial instrument are immediately recognized in profit or loss.

2.7. Property, plant and equipment

Investments in operating assets

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

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

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

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

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

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

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

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

Depreciation is charged based on the following useful lives:

Buildings	from 25 to 50 years

Plant and equipment	from 10 to 40 years
Other equipment	from 5 to 15 years

Assets under finance leases

Leases are arrangements by which the lessor transfers the right to use an asset for an agreed period of time to the lessee in exchange for payment or a series of payments. Lease arrangements that essentially transfer all risks and rewards deriving from ownership of the asset are defined as "finance leases" even if title does not pass at the end of the lease. Finance leases are recognized as required by IAS 17, paragraphs 20-32.

"Operating leases" are defined as any arrangement for the lease of assets that is not a finance lease.

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components:financial expense, recognized in profit or loss, and repayment of principal, recognized as a reduction of financial liabilities. Assets held under finance leases are recognized at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

Impairment losses

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

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

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

Intangible assets are either:

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

In the first two instances, intangible assets, including directly attributable expenses, are initially recognized at cost or fair value, respectively. They are then systematically amortised based on their useful life, which is the period over which the assets will be used by the company, generally between three and five years. The residual value of intangible assets at the end of their useful life is assumed to be zero.

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

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

2.9. Factoring of receivables

The Group sells a significant portion of its trade receivables to factors. These assignments can be either with or without recourse. Non-recourse factoring of receivables by the Group are made as required by IAS 39 for the derecognition of assets, since essentially all risks and rewards have been transferred. Non-recourse factoring of receivables is reported under “Other operating costs”. In the event that transactions do not fulfil the requirements of IAS 39, for example receivables factored with recourse, the receivables remain on the face of the Group’s statement of financial position even though title has legally passed, and a contra liability of equal amount is recognised in the financial statements for the copper sector. Factoring fees for receivables factored with recourse are reported under financial expense.

2.10. 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 year end so that it becomes aligned with its estimated realisable value, which is the official price on the date of the financial statements for the copper sector 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.

2.11. 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).

2.12. Equity

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

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

The Intek Group 2012-2017 Convertible Loan has been recorded, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the 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 Convertible Loan);

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

2.13. Receivables and payables

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

2.14. Current and deferred taxes

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

The current tax expense represents the estimated income tax payable computed on taxable income for the year as determined with reference to current tax rates or those substantially in effect at the year end Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities for transactions other than business combinations that have no effect on either accounting profit (or loss) or taxable profit (or taxable loss); differences relating to investments in subsidiaries and joint ventures to the extent that the difference is not likely to reverse in the foreseeable future. The Group also does not recognize deferred tax liabilities arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured with reference to tax rates that it is believed will be in effect in the period in which the underlying asset will be recovered or liability paid based on tax rates in effect or substantially in effect at the end of the year. There is an offset of deferred tax assets and liabilities whenever there is a legal right to offset current tax assets and liabilities and if the deferred tax asset or liability relates to income taxes assessed by the same tax authority on the same taxpaying entity or differing taxpaying entities intending to settle the current tax asset or liability on a net basis or to simultaneously recover the asset and pay the liability.

Deferred tax assets are recognized to the extent that it is likely that there will be sufficient future taxable income to absorb them. The carrying amounts of deferred tax assets are tested for impairment at the end of each year and are reduced to the extent that they are not likely to be recoverable.

2.15. Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as “defined contribution” or “defined benefit” plans. The Group’s liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due on the date of these financial statements for the copper sector. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations enacted during 2007 introduced – as part of pension reform – significant changes concerning the allocation of the portions accruing of post-employment benefits. As a result of these changes, the new flows of post-employment benefits can be directed by workers towards forms of supplementary pension fund 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 the year end are to be classified as defined benefit plans and measured by actuarial methods without, however, including the component relating to future pay increases;

- contributions payable both to supplementary pension schemes and INPS for post-employment benefits vesting subsequent to that date are to be classified as defined contribution plans with exclusion, in calculation of the cost of the year, of components relating to actuarial estimates.

The measurement of defined benefit plans was carried out by independent actuaries.

2.16. Provisions for risks and charges

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

- the Group has a current (legal or constructive) obligation as a result of a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the year. 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 recognized only if the Group has a formal detailed plan showing at least: the operations and main operating units concerned, the costs to be incurred, the approximate number of employees involved and if the third parties concerned reasonably expect that the entity will restructure because it has already commenced or because a public announcement in that regard has been made.

2.17. Dividends

Dividends to be paid are recognised as liabilities only in the period in which they were approved by the Shareholders. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.18. Stock Options

Commencing with the financial statements personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board directors and certain other group executives, consistent with the nature of compensation paid.

The *fair value* of *stock options* has been determined by the option's value as determined by the *Black & Scholes* model, which takes into consideration the conditions relating to the exercising of the option, the current share value, and the exercise price, duration of the option, dividends, expected volatility and the risk free interest rate. The cost of stock options, distributed over the entire vesting period, is recognised together with a contra-entry in equity under "Reserve for stock options". The *fair value* of options granted to Executives of INTEK Group S.p.A.'s subsidiaries is recognised as an increase in the carrying amount of "investments" with the contra-entry posted to "*Reserve for stock options*".

2.19. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months.

2.20. Revenue recognition

Revenue from the sale of goods and services is recognized to the extent that it is probable that the Group will obtain economic benefits and the amounts thereof can be reliably determined. It is measured at the fair value of the consideration received or which is expected to be received, with account taken of any returns, rebates, discounts and premiums relating to quantity. Revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, when the recoverability of the consideration is probable and the relevant costs or any returned goods can be reliably estimated.

Although transfer of the risks and rewards of ownership vary depending on conditions of contract, it normally occurs on the physical delivery of the goods. Revenue from services, such as work performed on behalf of third parties, is recognised on the basis of the stage of completion of such work at the end of the year. The progress is then measured with respect to the amount of work performed.

2.21. 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 expenses include loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets, factoring fees paid with respect to factoring of receivables with recourse, decreases in the fair value of assets held for trading and derivatives except for the decreases in fair value of LME and metals forward contracts which are reported under “Purchases and change in raw materials”.

2.22. Segment reporting

In 2014, the group segment reporting was carried out – at management level – on the following three sectors:

- **Copper:** a sector consisting of an industrial grouping which is a leader in the international global production of copper and copper-alloy semi-finished products;
- **Financial and real estate assets** from the merger of Intek;
- **Advanced services** which includes:
  - Energy from renewable sources: a sector consisting of a grouping of companies belonging to the ErgyCapital Group, listed on the Italian Stock Exchange, which is active in the area of plant and energy generation from renewable sources, especially in the field of photovoltaic energy;
  - Services in the automotive field: a sector represented by the COBRA Automotive Technologies Group which is listed on the Italian Stock Market and is a leader in the sector for anti-theft devices for cars and vehicle safety using IT and satellite technology.

Beginning from the third quarter 2014, the Group abandoned the automotive sector, following the sale of its equity investment in Cobra to the Vodafone Group, while the Ergycapital operation is no longer considered to be among the services it offers and is now classified in the sector of financial and real estate assets.

The management monitors the operating results of the two sectors above mentioned 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 were no transfers of resources among the three major sectors in 2014 and there are none currently among the two which have remained.

Segment information is provided under paragraph 7 of the notes.

2.23. Earnings/(losses) per share

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

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

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

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

   i. conversion of all outstanding warrants;

   ii. exercise of all stock options granted.

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

The calculation at 31 December 2014 of the basic earnings per share was carried out taking into account the net result of the Group, and excluding the effect arising from application of the investment entity principle, net of the portion applicable to the saving shares, attributable to holders of ordinary shares outstanding and an average number of ordinary shares equal to 340,410,924 taking into account any fractioning and/or regrouping and any increases/reductions of the 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.

2.24. Use of estimates

The preparation of the financial statements for the copper sector and notes thereto in accordance with IFRS required the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities.

The estimates were mainly used to determine: the fair value of investment property, LME contracts and price fixing metal sales and purchase contracts with customers and suppliers recognized as financial instruments, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, estimated restructuring provisions, the indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At the year end, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.25. Accounting standards not yet applied

At 31 December 2014, 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 for the copper sector.

The most important included:

- IFRS 9 – Financial instruments: On 12 November 2009, the IASB published this standard which was then repeatedly amended before 28 October 2010, in a subsequent intervention in mid December 2011 and finally on 24 July 2014. The standard, which is applicable from 1 January 2018, is the first part of a process in phases that aims to replace IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets from statement of financial position. In particular, the new standard establishes the criteria for the classification of financial assets through a single approach based on the methods of managing financial instruments and the nature of contractual cash flows generated by those financial instruments for their measurement and replacement of the rules set out in IAS 39. Conversely, for financial liabilities, the main amendment refers to the accounting treatment of the changes in fair value of a financial liability designated as a financial liability at fair value in profit and loss, if these changes are due to changes in the credit rating of the liabilities themselves. According to the new standard, these changes must be recognized in the statement of comprehensive income and should not go through profit or loss.

- Amendments to IAS 19 Employee Benefits. On 21 November 2013 the IASB published an amendment to IAS 19 entitled Defined Benefit Plans: Employee Contributions. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment will be applicable from the financial years that begin subsequently to 1 July 2014. Early application is nevertheless allowed.
- On 12 December 2012, the IAS issued a group of amendments to the IAS/IFRS a (" Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle"). These amendments will be applicable from the financial years that begin subsequently to 1 July 2014. Early application is nevertheless allowed.
- On 30 January 2014 the IASB published IFRS 14 Regulatory Deferral Accounts, an interim standard relative to the Rate-regulated activities project. IFRS 14 allows only entities adopting IFRS for the first time to continue to recognise amounts relative to rate regulation according to the previous accounting standards adopted. In order to improve comparison with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation be presently separately from other items. The standard is mandatory for the years that begin after 14 June 2014.
- IFRS 15 Revenue from Contracts with Customers. On 28 May 2014, the IASB and the FASB jointly issued standard IFRS 15, the purpose of which is to improve the representation of revenues and global comparability of financial statements with the objective of rendering accounting of economically similar transactions uniform. This standard is applicable to IFRS users beginning from the financial period that begins after 1 January 2017 (early application is allowed).
- Amendment to IAS 16 and 38 Property, Plant and Equipment and Intangible Assets. On 12 May 2014 the IASB published an amendment to the standard specifying that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The adoption of this standard is not expected to produce effects on the Group's financial statements.
- Amendments to IFRS 11 Joint Arrangements. On 6 May 2014 the IASB published an amendment to the standard which adds new guidelines to the accounting for acquisition of an interest in a joint operation when the operation constitutes a business.
- Amendment to IAS 27 – Separate financial statements: On 12 August 2014, the IASB published an amendment to the standard which will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- IFRIC 21 Levies provides guidance on when to recognise a liability for levies accounted for in accordance with IAS 37, and accounting for liabilities relative to the payment of a levy, the time frame and amount of which are uncertain. IFRIC 21 is applicable from financial periods that begin on 17 June 2014.

Currently, the competent bodies of the European Union have concluded the endorsement process relative to the new standards and amendments applicable to the financial statements of financial periods that begin from 1 July 2014, while for the remainder the required endorsement process for adoption is still under way.

The adoption of the above mentioned principles, amendments and interpretations is not supposed to produce significant effects on the financial statements.

3. ***Financial risk management***

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected to investments and disinvestments. The company's financial results depend mainly on these transactions and the dividends distributed by subsidiaries and, therefore, in the final analysis, they reflect, in addition to the financial performance, also the investment and dividend distribution policies of the subsidiaries.

Corporate equity investments are by their nature investments that carry a certain level of risk. Indeed, these types of investments do not provide the certainty that the invested capital will be refunded in full or they could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

Furthermore, the disinvestment process could require more time than was expected and/or be realized on the basis of terms and conditions that are not fully satisfactory or at non remunerative terms and conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidity of these equity investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, the possible consequent unavailability of an information flow that is at least equal, insofar as its quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the company and therefore assessing the completeness and accuracy of the information it provides. For equity investments that are not controlling investments, whether in listed companies or unlisted companies, the possibility of influencing the management of the equity investments themselves in order to promote growth, including through a relationship with the management and the shareholders of the investee, could be limited.

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 non-current loans and borrowings and capital expenditure through cash flows from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit.

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

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

e)commodity risk (mainly copper): this is more significant and strategic insofar as the main investment. The objective is to fully hedge this risk through trading in physical goods or forward contracts on the London Metal Exchange (LME). Specifically, all metal price fixing sales and purchase contracts are netted daily and the change in the net open position is generally hedged by LME contracts so that the company is not exposed to overnight price risk. LME contracts are normally paper deals (i.e., settled through the payment of differentials), whereas trading in physical goods may require delivery of the actual commodity, finished goods or semi-finished products. In actuality, both cases are physical transactions that could however be settled through: liquid funds from differentials, issues of another financial instrument or exchange of financial instruments. This is also the case for price fixing sales and purchase contracts with customers and suppliers which, although normally settled by physical delivery, may also be settled prior to the delivery date by squaring positions and can also be used to take advantage of opportunities on the market which would otherwise have to be ignored without, however, making physical delivery of the commodity. The concept of similarity and neutrality for LME and physical goods trading is supported by the fact that:

- they have analogous methods of execution (physical or payment of differentials);
- having the same reference price (LME quotation);
- being managed through only one risk management "position", changes in which are linked to operational factors, and one single "administrative and accounting" system;
- reliably determining fair value.

The fact that both LME contracts and customer and supplier contracts may both be settled through payment of differential market prices means that, in accordance with paragraph 6b of IAS 39, metal price fixing sales and purchase contracts can, similarly to financial instruments, be accounted for at fair value with changes in fair value recognised in profit or loss under "Purchases and change in raw materials".

All derivative financial instruments used by the Group are 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).

f) *risk of fluctuating share values*: the Group is exposed to market fluctuations insofar as the listed shares it holds in its portfolio and changes in the market parameters used for determination of the value of equity investments through valuation techniques. The risk of fluctuations in the values of these equity interests, recognized under " investments in equity interests and fund units" is not actively managed using financial hedging instruments.

4. Notes on Consolidated financial statements at 31 December 2014

As already indicated, adoption on 31 December 2014 of the investment entity standard resulted in measurement at fair value instead of line by line integration of investment interests. During 2014, there was a change in the consolidation area, compared to 31 December 2013, due to the deconsolidation of KMD Connectors Stolberg GmbH following the conclusion, on 18 March 2014, of the joint venture between KME Ag and the Chinese company Golden Dragon Precise Copper Tube Group Inc.

In the tables below, regarding the balance sheet items, the values relative to such circumstances are shown separately, respectively as "Changes per investment entity" and "Changes in the consolidation area."

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change by Investment Entity*	*Change in scope of consolidation*	*Other changes*
Investments in subsidiaries and associates	428,674	-	428,674	-	-
Investments in other companies	12	-	12	-	-
Other funds units	7,738	9,380	-	-	(1,642)
Other investments	1,436	-	1,436	-	-
Investments in equity interests and fund units	**437,860**	**9,380**	**430,122**	**-**	**(1,642)**

The breakdown of the item was as follows:

NA	*Registered office*	*Activity*	*Percentage of interest*	*fair value*
KME AG	Osnabruck (D)	Industrial	100.00%	391,615
ErgyCapital SpA	Florence	Alternative Energy	46.37%	6,970
FEB - Ernesto Breda SpA	Milan	Holding company	86.55%	15,335
KME Beteiligungsgesellschaft mbH	Osnabruck (D)	Business	100.00%	1,000
Tecno Servizi Srl	Varedo	Business	100.00%	2,500
Malpaso Srl	Milan	Business	100.00%	30
Rede Immobiliare Srl	Milan	Business	100.00%	7,900
Progetto Ryan 2 Srl in liq.	Milan	In liquidation	88.00%	400
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	20
Culti Srl	Milan	Furniture	100.00%	2,500
Culti Milano Srl	Milan	Furniture	100.00%	4
Il Post Srl	Milan	Publishing	18.80%	400
Total Subsidiaries and Associates				**428,674**
Other investments				**12**
Total investment				**428,686**
I2 Capital Partners Fund				7,704
Value Secondary Investment SICAR				34
Total Fund Units				**7,738**
Warrant ErgyCapital				560
Advances for equity investments				876
Total other investments				**1,436**
Investments in equity interests and fund units				**437,860**

The fair value of the equity investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC) of 8.31%, plus an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded.

The UDCF method was carried out on the basis of economic forecasts and changes in some statement of financial position items contained in the 2015-2019 Plan (the "Plan"), prepared at the Group level and approved by the Intek Group Board of Directors on 27 April 2015 and of KME AG in March 2015.

Compared to those used in the previous impairment test, the plan is characterized by a review downward of the future flows also in light of the results reached during 2014. The main assumptions of the Plan are:

- progressive recovery of the sales volumes of approximately 3.5% annually (the increase in demand of copper at the global level (CAGR 2014-2018) is 4.1%) up to levels reflected the quantity sold in 2011-2011 are expected to be reached in 2019;
- increase in the added value (CAGR of approximately 6.2%) connected to the assumed stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators.
- significant recovery in EBITDA (gross operating profit/loss) mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- inflation is assumed at 2% per annum for 2015, 2.5% for 2016 and 3% for 2017-2019;
- investments are essentially stable at 5.5% of net assets.

The terminal value has been calculated assuming that long-term EBITDA is the EBITDA recorded in the Plan in the last 5 years (explicit period), that depreciation is an investment and using a long-term growth rate “g” of zero.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved..

The WACC rate was determined on the basis of the following parameters:

- *risk free-rate:* weighted average of the 10 year government bonds in each country in which the Group operates;
- *market risk premium*: equal to 5%, in line with the Italian valuation practices;
- 10-year USD swap rate at 31 December 2014 plus a 2.5% spread;
- *Unlevered Beta:* average of beta factors of a sample of comparable listed companies;
- Additional *Alpha* premium on the cost of own capital equal to 4%.

It is noted that in 2013, as part of the impairment test, the cash flows had been discounted using a WACC discount rate of 8.7% net of taxes. This rate took into account an average risk free rate of 2.6%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year, except for the usage of a 3% spread .

The calculation relative to the 2014 test was furthermore subjected to a sensitivity analysis using a WACC from 8.81% to 10.81% and a growth rate "G" from zero to 2% and two alternative scenarios for the determination of the terminal value calculating assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2019). In both scenarios a discount rate representative of the average cost of capital (WACC) of 8.31% was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded.

The fair value fluctuates from a minimum of Euro 382.9 million to a maximum of Euro 402.4 million and the directors considered it reasonable to use a value close to the average value of Euro 391.6 million.

Regarding the equity interest in FEB - Ernesto Breda, again with the assistance of an external consultant, the adjusted shareholders' equity was estimated based on the shareholders' equity of the company's controlled by FEB-Ernesto Breda and the capital gains implicit in the other assets and liabilities. The fair value fluctuates from a minimum of Euro 12.4 million to a maximum of Euro 16.8 million and in this case as well, the Directors decided to use a value of Euro 15.3 million that falls within this interval.

For the ErgyCapital shares and warrants, the market price at 31 December 2014 was applied, pursuant to IFRS 13.

For the other equity investments, the reference was mainly made to the value of their shareholders' equities, adjusting them based on the current values of the relative assets, consisting mainly of properties the fair value of which is corroborated by appraisals carried out by third parties who are independent. These appraisals are based on the value per square meter as estimated based on the assessments made by the public real estate registry office for buildings located in the same area, used for the same purpose and considering the state of their upkeep and future potential.

The stakes in "Investment funds" relate entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The reduction in the value compared to 31 December 2013 is due to the distributions received of Euro 1,590 thousand, a new payments of Euro 155 thousand and write-downs made at the end of the year of Euro 208 thousand. *The fair value has been calculated based on the fair value of the individual investments of the fund net of other financial assets and liabilities.*

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Bank deposits pledged as collateral	2,673	3,595	(2,109)	-	1,187
Receivables due from associates	7,361	175	7,186	-	-
Receivables from guarantees issued	1,675	-	1,675	-	-
Other non-current financial assets	51	3,051	(3,000)	-	-
Non-current financial assets	**11,760**	**6,821**	**3,752**	**-**	**1,187**

"*Bank deposits pledged as collateral"* refer to the bank guarantees issued for the sale of the equity investment in Cobra AT (Euro 2,000 thousand) and for the special situations activity (Euro 673 thousand).

"Receivables from related companies" are of Euro 6,912 thousand (Tecno Servizi), Euro 175 thousand (NewCocot) and Euro 274 thousand (Idra International).

"Guarantee fees receivable" are the present value of guarantee fees receivable in more than 12 months, for guarantees issued by the Company to banks on behalf of the Group companies to which the loans were extended. These receivables are matched by payables of an equal amount. The carrying amount of receivables determined in that manner is believed to approximate fair value.

The "*Changes per investment entity"* of the *"Other non-current financial assets"* refer to Malpaso.

4.3. Investment property

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Investment property	**4,488**	**80,665**	**(75,432)**	**-**	**(745)**

At 31 December 2014, the most significant item is of Euro 3,910 thousand and is relative to the Ivrea area held by I2 Real Estate.

The breakdown of the movements during the year is the following:

(in thousands of Euro)	
Total at 31 December 2013	**80,665**
Increases in the year	335
Fair value adjustments	(1,080)
Change per Investment Entity	(75,432)
Total at 31 December 2014	**4,488**

"*Change per investment entity"* refers to Euro 41,432 thousand to KME, Euro 19,000 thousand to Rede Immobiliare and Euro 15,000 thousand to Tecno Servizi.

4.4. Property, plant and equipment

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Land	-	53,040	(53,152)	(251)	363
Buildings	-	78,885	(75,287)	(2,919)	(679)
Plant and equipment	2	365,764	(343,062)	(10,391)	(12,309)
Moveable property	454	26,372	(24,898)	(1,227)	207
Payments on account and asset under construction	-	16,365	(11,366)	(338)	(4,661)
Property, plant and equipment	**456**	**540,426**	**(507,765)**	**(15,126)**	**(17,079)**

"Change per investment entity" refers almost exclusively to KME's industrial operations. The sales of the plant and equipment mostly refer to the sanitary tube operation in the UK.

Changes in the year may be summarised as follows:

(in thousands of Euro)	*Land*	*Buildings*	*Plant and equipment*	*Tangible assets*	*Advances*	*Total*
Gross amount	53,335	203,625	1,009,875	99,222	16,432	1,382,489
Accumulated depreciation	(295)	(124,740)	(644,111)	(72,850)	(67)	(842,063)
Total at 31 December 2013	**53,040**	**78,885**	**365,764**	**26,372**	**16,365**	**540,426**
Gross amount at 31 December 2013	**53,335**	**203,625**	**1,009,875**	**99,222**	**16,432**	**1,382,489**
Purchases in the year	1	713	3,906	2,657	17,492	24,769
Reclassifications	17	2,916	14,861	2,997	(20,191)	600
Change in scope of consolidation (cost)	(251)	(6,473)	(23,843)	(4,659)	(338)	(35,564)
Increase in cost due to translation differences	404	940	2,988	158	24	4,514
Disposals (cost)	(1)	(483)	(24,236)	(3,467)	(1,999)	(30,186)
Change per Investment Entity	(53,505)	(200,094)	(983,514)	(94,751)	(11,420)	(1,343,284)
Gross amount at 31 December 2014	**-**	**1,144**	**37**	**2,157**	**-**	**3,338**
Accumulated depreciation at 31 December 2013	**(295)**	**(124,740)**	**(644,111)**	**(72,850)**	**(67)**	**(842,063)**
Reclassifications	2	253	(123)	(801)	69	(600)
Depreciation	-	-	-	(109)	-	(109)
Change in scope of consolidation (amortisations provision)	-	3,554	13,452	3,432	-	20,438
Impairment losses	(34)	(5,254)	(27,469)	(4,130)	(56)	(36,943)
Increase in depreciation due to translation differences	(26)	(248)	(2,905)	(187)	-	(3,366)
Disposals (accumulated depreciation)	-	484	20,669	3,089	-	24,242
Change per Investment Entity	353	124,807	640,452	69,853	54	835,519
Accumulated depreciation at 31 December 2014	**-**	**(1,144)**	**(35)**	**(1,703)**	**-**	**(2,882)**
Gross amount	-	1,144	37	2,157	-	3,338
Accumulated depreciation	-	(1,144)	(35)	(1,703)	-	(2,882)
Total at 31 December 2014	**-**	**-**	**2**	**454**	**-**	**456**
of which under finance leases	-	-	-	-	-	-

4.5. Goodwill

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Goodwill	**1,000**	**125,801**	**(124,801)**	**-**	**-**

The *"Change per investment entity"* consists of Euro 118,364 thousand of KME's industrial operations and Euro 6,437 thousand to the special situations activities of FEB Ernesto Breda.

4.6. Intangible assets

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Other	4	2,446	(1,920)	(61)	(461)

Payments on account and assets under development	-	123	(147)	-	24
Intangible assets	**4**	**2,569**	**(2,067)**	**(61)**	**(437)**

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

The *change per investment entity"* almost exclusively refers to KME's industrial operations, which in 2014 incurred costs for research, which were recognized directly in profit and loss of Euro 1.0 million.

The changes in 2014 were as follows:

(in thousands of Euro)	*Other*	*Payments on account and ongoing development*	*Total*
Gross amount	14,339	123	14,462
Accumulated amortisation	(11,893)	-	(11,893)
Total at 31 December 2013	**2,446**	**123**	**2,569**
Gross amount at 31 December 2013	**14,339**	**123**	**14,462**
Purchases in the year	252	273	525
Reclassifications	446	(247)	199
Change in scope of consolidation (cost)	(194)	-	(194)
Decreases (cost)	(923)	(2)	(925)
Increase in cost due to translation differences	-	-	-
Change per Investment Entity	(13,911)	(147)	(14,058)
Gross amount at 31 December 2014	**9**	**-**	**9**
Accumulated amortisation at 31 December 2013	**(11,893)**	**-**	**(11,893)**
Change in scope of consolidation (provisions)	133	-	133
Amortisation and impairment losses	(957)	-	(957)
Reclassifications	(201)	-	(201)
Increase in amortisation due to translation differences	-	-	-
Decreases (accumulated amortisation)	922	-	922
Change per Investment Entity	11,991	-	11,991
Accumulated amortisation at 31 December 2014	**(5)**	**-**	**(5)**
Gross amount	9	-	9
Accumulated amortisation	(5)	-	(5)
Total at 31 December 2014	**4**	**-**	**4**

4.7. Instrumental and other equity investments

The item amounts to zero as a result of the following adoption of the investment entity standard.

(in thousands of Euro)	*Investments in subsidiaries and associates*	*Investments in other companies*	*Investments in equity-accounted investees*	*Total*
Total at 31 December 2013	**11,940**	**270**	**38,601**	**50,811**
Increases	5,089	2	72,515	77,606
Translation differences	-	-	11,366	11,366
Decreases	(488)	-	(27,371)	(27,859)
Adjustments	-	-	-	-
Other movements	-	-	2,733	2,733
Adjustments	(3,569)	-	(5,212)	(8,781)

Movements of the year	*1,032*	*2*	*54,031*	*55,065*
Change per Investment Entity	(12,972)	(272)	(92,632)	(105,876)
Total at 31 December 2014	**-**	**-**	**-**	**-**

The value adjustments of the "equity investments in subsidiaries and associates" refer mainly to the impairment losses of the equity investment in Culti Srl (Euro 2,105 thousand), P.H.M. Pehamet Sp.Zo.o. (Euro 600 thousand) and the ErgyCapital warrants, recognized at market value (Euro 864 thousand).

The increases in the "Equity investments in subsidiaries and associates" mainly include the increase respectively of Euro 3,244 thousand in Culti S.r.l. and Euro 1,804 thousand in P.H.M Pehamet Sp.Zo.o.

The details of the movement of the "*Equity Accounted Investees*" follow below:

(in thousands of Euro)	*KMD (HK) Holding Limited*	*ErgyCapital S.p.A .:*	*Cobra A.T. S.p.A.*	*Total*
Increases	72,515	-	-	72,515
Translation differences	11,366	-	-	11,366
Decreases	-	-	(27,371)	(27,371)
Other movements	-	(1,027)	3,760	2,733
Adjustments	(1,704)	(5,217)	1,709	(5,212)
Movements of the year	**82,177**	**(6,244)**	**(21,902)**	**54,031**

The increases refer to the KMD (KH) Holding Limited joint venture between KME AG and the Chinese company Golden Dragon Precise Copper Tube Group Inc (GD), already mentioned above. The decreases are connected to the sale of the equity investment in Cobra AT S.p.A. (41,425,750 ordinary shares equal to 42.68% of the share capital).

The other transactions originated from changes in the investees' equity ErgyCapital and Cobra A.T..

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

NA	*Registered office*	*Activity*	*% ownership Intek Group*		*31 Dec. 2014*	*31 Dec. 2013*
			direct	*indirect*	*(in thousands of Euro)*	
AMT - Advanced Mould Technology India Private Ltd.	India	Industrial	-	99.60%	1,500	1,500
Breda Energia SpA in administrative compulsory liquidation	Italy	non-operating	-	100.00%	120	120
Bredafin Innovazione SpA in LCA	Italy	non-operating	-	99.99%	141	141
Culti S.r.l.:	Italy	Trading	-	100.00%	2,500	1,361
Culti Milano S.r.l.	Italy	Trading	-	100.00%	3	-
Europa Metalli Trèfimétaux UK Ltd.	Great Britain	non-operating	-	100.00%	-	480
Intek Investimenti Srl	Italy	non-operating	100.00%	-	20	10
Il Post Srl	Italy	Publishing	-	18.80%	400	400
KME America Inc.	$US	Industrial	-	100.00%	7	7
KME America Marine Holding Ltd	$US	Holding company	-	100.00%	1,214	1,214
KME Asia Pte. Ltd.	Singapore	Industrial	-	100.00%	100	99
KME Benelux SA	Belgium	Industrial	-	84.70%	883	883
KME Chile Lda	Chile	Industrial	-	100.00%	18	18
KME Engineering S.r.l.	Italy	Liquidated	-	100.00%	-	-
KME Germany Holding GmbH	Germany	non-operating	-	100.00%	28	27
KME Germany Service GmbH	Germany	non-operating	-	100.00%	28	27
KME Hungaria Szinesfem Kft.	Hungary	Industrial	-	100.00%	-	8
KME India Private Ltd.	India	Industrial	-	100.00%	92	92
KME Kalip Servis Sanayi	Turkey	Industrial	-	85.00%	358	358
KME MAGDA Service Ukraine LCC	Ukraine	Industrial	-	70.00%	745	745
KME Metal GmbH	Germany	non-operating	-	100.00%	-	-
KME Metals (Shanghai) Trading Ltd.	China	Industrial	-	100.00%	81	81
KM Polska Sp. Zo.o.	Poland	Industrial	-	100.00%	64	64
KME Solar Italy Srl in liquidazione	Italy	In liquidation	-	98.00%	-	-
KME (Suisse) S.A.	Switzerland	Industrial	-	100.00%	1,000	1,000
Metal Center Danmark A/S	Denmark	Industrial	-	30.00%	134	134
Oasi Dynamo Srl	Italy	Agriculture	-	100.00%	20	-
P.H.M. Pehamet Sp.Zo.o	Poland	Industrial	-	100.00%	2,424	1,220
Progetto Ryan 2 S.r.l.	Italy	In liquidation	88.00%	-	400	400
KME Rolled France S.A.(Societe Haillane de Partecipations)	France	non-operating	-	99.99%	45	40
Special Steel SE Asia Ltd	Singapore	Industrial	-	25.00%	87	87
Warrant ErgyCapital SpA	Italy	Energy	-	n.a.	560	1,424
Investments in subsidiaries and associates					**12,972**	**11,940**
Editoriale Fiorentina Srl	Italy	Publishing	-	7.13%	142	142
Other KME France SAS investments	France	Miscellaneous	n.a.	n.a.	118	116
Other former Intek SpA	Italy	Miscellaneous	n.a.	n.a.	12	12

investments						
Investments in other companies					**272**	**270**
KMD (HK) Holding Limited	Hong Kong	Holding company	-	50.00%	82,177	-
ErgyCapital SpA	Italy	Energy	-	46.37%	10,455	16,699
Cobra A.T. SpA	Italy	Services:	-	42.68%	-	21,902
Investments in equity-accounted investees					**92,632**	**38,601**

"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.

4.8. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Guarantee deposits	484	540	(1,825)	-	1,769
Other receivables	-	5,712	(4,259)	(4)	(1,449)
Other non-current assets	**484**	**6,252**	**(6,084)**	**(4)**	**320**

The *"Guarantee Deposits"* include an amount of Euro 466 thousand relative to the payments made to guaranteeing against any verifications regarding the value of the sale of the property in Paris.

The "Change per investment entity" refers almost exclusively to KME's industrial operations.

4.9. Current financial assets

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Receivables due from associates	7,772	10,915	(2,237)	-	(906)
Receivables from guarantees issued	3,892	-	3,892	-	-
Financial assets held for trading	467	8,441	(87)	-	(7,887)
Receivables from factoring companies	-	65,680	(40,534)	(6,155)	(18,991)
LME and metal purchase/sale contracts	-	15,106	(21,189)	(2,081)	8,164
Interest Rate Swap (IRS) and forward contracts	-	666	(3,798)	(68)	3,200
Other current financial assets	-	462	(8,985)	-	8,523
Current financial assets	**12,131**	**101,270**	**(72,938)**	**(8,304)**	**(7,897)**

The receivables from related companies refer to:

- Euro 4,060 thousand balance of loans to Ergy Capital:
- Euro 1,489 thousand balance of loans to subsidiary Quattroduedue S.p.A.;
- Euro 1,926 thousand balance of loans to subsidiary Culti S.r.l.;
- Euro 291 thousand balance in the current accounts held with the subsidiary KME Yorkshire Ltd;
- Euro 6 thousand which is the balance of the current accounts held with subsidiary Intek Investimenti S.r.l.

“Guarantee issued receivable” are the present value of guarantee fees that are receivable within 12 months, for guarantees issued by the INTEK Group S.p.A. to banks on behalf of the Group companies to which loans were extended.

The total amount of guarantee fees receivable within and beyond twelve months determined in the manner described in note 4.2 was Euro 5.567 thousands which approximated their fair value at 31 December 2014.

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

- 4,458,440 ErgyCapital SpA ordinary shares, which are carried at their official price at the year end (Euro 0.09 per share);
- 4,993,900 ErgyCapital SpA warrants, which are carried at their official price at the year end (Euro 0.02 per warrant);

The item “*LME and metal buyer/seller contracts*” are carried at the fair value of contracts outstanding at the end of the reporting period.

“Receivables from factoring companies” of Euro 28.5 million are measured at the amounts of receivables assigned without recourse but not yet collected at the year end and the revolving amount of the consideration which will be collected upon the due dates of the relative invoices assigned of Euro 12.1 million.

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

4.10. Inventories

The item was completely zeroed following adoption of the investment entity standard.

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Raw materials, consumables and supplies	-	460,115	(393,029)	(23,932)	(43,154)
Work in progress and semi-finished products	-	29,424	(26,600)	(3,647)	823
Finished goods	-	36,054	(30,084)	(3,360)	(2,610)
Inventories	**-**	**525,593**	**(449,713)**	**(30,939)**	**(44,941)**

4.11. Trade receivables

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Due from customers – gross amount	*2,453*	*122,182*	*(105,410)*	*(3,789)*	*(10,530)*
Allowance for impairment	*(1,043)*	*(14,164)*	*13,532*	*-*	*(411)*
Due from customers – net amount	1,410	108,018	(91,878)	(3,789)	(10,941)
Due from associates	1,838	6,406	(30,495)	-	25,927
Receivables for factoring/leases	7,792	9,338	-	-	(1,546)
Trade receivables	**11,040**	**123,762**	**(122,373)**	**(3,789)**	**13,440**

The "*Receivables from related companies*" at 31 December 2014 for guarantees given.

The change during the year of the item "receivables from factoring/leasing" arises from the receivables collected (Euro 652 thousand) and value adjustments (Euro 894 thousand).

4.12. *Other current receivables and assets*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Tax assets	7,104	22,108	(16,267)	(2)	1,265
Receivables from special situations	6,832	6,832	-	-	-
Advance payments to suppliers	54	2,259	(1,930)	(9)	(266)
Prepayments and accrued income	149	5,063	(1,452)	(29)	(3,433)
Other receivables	497	21,319	(13,603)	(102)	(7,117)
Other current receivables and assets	**14,636**	**57,581**	**(33,252)**	**(142)**	**(9,551)**

"Tax assets" include, among other things, receivables for direct taxes of Euro 3,354 thousand (of which Euro 2,500 thousand requested for refund) and VAT receivables for Euro 1,955 thousand of the Parent.

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

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

4.13. *Cash and cash equivalents*

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

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Bank and post office accounts	48,932	38,491	(24,273)	(2,264)	36,978
Cash on hand	8	3,304	(201)	(9)	(3,086)
Cash and cash equivalents	**48,940**	**41,795**	**(24,474)**	**(2,273)**	**33,892**

4.14. *Non-current assets held for sale*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Investments held for sale	-	-	-	-	-
Properties held for sale	1,559	7,795	-	-	(6,236)
Non-current assets held for sale	**1,559**	**7,795**	**-**	**-**	**(6,236)**

The decrease in the item is mainly connected to the sale of the property in Paris.

4.15. *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).

4.16. *Employee benefits*

(in thousands of Euro)	*31 Dec. 2013*	*Increases*	*Decrease*	*Change in scope of consolidation*	*Translation differences*	*Changes per Investment Entity*	*31 Dec. 2014*
Defined benefit plans	218,937	30,903	(28,105)	(2,706)	2,523	(221,552)	-
Post-employment benefits	15,727	1,395	(1,253)	-	-	(15,398)	471
Employee benefits	**234,664**	**32,298**	**(29,358)**	**(2,706)**	**2,523**	**(236,950)**	**471**

“*Defined benefit plans*” are recognized net of any plan assets. Euro 183.0 million of defined benefit plans were related to the German subsidiaries and Euro 38.6 million were related to the subsidiary KME Yorkshire Ltd.

The main criteria used in the measure of “Employee Benefits ” are as follows:

General Criteria	*31 Dec. 2014*	*31 Dec. 2013*
Discount rate	1.49-3.55%	2.5-4.5%
Rate of return on plan assets	3.6%	4.5%
Rate of increase in future remuneration	1%	1%
Future increase in services	1.95-2.85%	2.0-3.15%
Average remaining working life	13 years	13 years
General Criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used for the actuarial valuation of the Employee severance indemnities in 2014 as well.

The effects on income included under item “*Personnel costs*” are as follows:

(in thousands of Euro)	*2014*	*2013*
Current service cost	2,422	2,978
Interest expense	7,310	6,846
Past service cost	-	(40)
Effect of any curtailment and/or settlement	(4)	(2)
Cost recognised in profit or loss	**9,728**	**9,782**

The analysis of funded and unfunded liabilities is as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
Present value of partially or fully funded obligations	200,035	199,958
Present value of unfunded obligations	114,218	102,363
Present value of defined benefit obligation	**314,253**	**302,321**
Plan assets	(76,832)	(67,659)
Surplus (deficit)	**237,421**	**234,662**

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

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
Opening balance of obligation	302,321	299,040
Change in scope of consolidation	-	-
Current service cost	2,422	2,978
Interest on obligation	10,336	9,435
Plan participants' contribution	-	-
Adjustments based on experience (*)	(7,043)	(3,331)
Actuarial (gains) losses (*)	16,667	12,036
Expired or reduced liabilities	-	(40)
Translation differences on foreign plans	7,139	(1,716)
Benefits provided and paid	(14,878)	(16,179)
Effect of any decrease or extinguishment (including a change in the consolidation area)	(2,711)	98
Past service cost	-	-
Current value of the obligation	**314,253**	**302,321**

(*) included in other comprehensive income

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
Opening balance	67,659	63,138
Interest income	3,026	2,589
Expected return on plan assets	55	1,292
Actuarial gains (losses)	5,822	6,186
Translation differences on non-Euro plan assets	4,605	(1,195)
Employer contributions	960	1,112
Plan participants' contribution	-	-
Benefits provided and paid	(5,295)	(5,463)
Fair value of assets servicing the plan	**76,832**	**67,659**

4.17. Non-current loans and borrowings

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment entity*	*Change in scope of consolidation*	*Other changes*
SFP Intek Group 2012/2017 debt securities	48,662	46,869	-	-	1,793
Intek Group 2012/2017 bonds	11,328	10,726	-	-	602
Guarantees issued liability	1,675	-	1,675	-	-
Bank loans and borrowings	1,467	91,235	(263,161)	-	173,393
Due to lease companies	15	5,611	(4,806)	(13)	(777)
Due to others	-	23	-	-	(23)
Non-current loans and borrowings	**63,147**	**154,464**	**(266,292)**	**(13)**	**174,988**

The division by sector of activity before application of the investment entity principle was the following:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Real Estate sector	1,467	20,173	(18,706)
Copper sector	263,161	71,062	192,099
Non-current bank loans and borrowings	**264,628**	**91,235**	**173,393**

The loans applicable to the copper sector are the following:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Loan by a pool of banks	-	239,615	239,615
Unicredit Mediocredito Centrale	12,875	20,346	33,221
Other	12,789	3,200	15,989
“Copper” sector loans	**25,664**	**263,161**	**288,825**

KME AG, together with its subsidiaries, has an outstanding loan agreement with a pool of banks (Deutsche Bank AG, Commerzbank Aktiengesellschaft, Unicredit Spa, Banca Nazionale del Lavoro Spa, Mediobanca- Banca di Credito Finanziario SpA, Banca Popolare di Milano Scrl., Intesa Sanpaolo Spa, Banca Monte dei Paschi di Siena SpA) with Deutsche Bank AG as the lead bank. The agreement covers two credit lines totaling Euro 505 million named “Tranche A” (in the form of a revolving loan to cover the inventory needs of the industrial companies) and “ Tranche B” (in the form of a revolving loan to cover the month to month inventory requirements of the industrial companies) characterized by considerable flexibility in relation to the Group’s financing requirements.

At the beginning of August 2014, subsidiary KME AG concluded an agreement with the funding institutions to extend the funding to 31 July 2016. The financing cost is essentially in line with the extended one.

Covenants were provided for, verified on the half-yearly basis and based on the EBITDA/financial expense ratio and the gross financial indebtedness/consolidated shareholders' equity ratios, all relative to 31 December 2014.

To guarantee the repayment of the aforementioned credit lines, the following was agreed:

- a pledge, with reservation of the voting right, of the shares and stakes of KME AG subsidiaries: KME Italy S.p.A. and KME Brass Italy S.r.l.;
- a first-level mortgage on the real estate and industrial equipment belonging to the Osnabrück plant of KME Germany Gmbh & CO. KG;
- a pledge of the inventory of the industrial companies, except for non-European subsidiaries;
- a lien on some factoring and insurance contracts;
- a pledge of a portion of the receivables of KME Ibertubos SA.

The “Unicredit Mediocredito Centrale” loan concluded on 22 April 2008 as subsequently amended and supplemented, is to be used to finance the costs relative to the industrial investments, i.e. purchases of foreign entities. The granting (for a total of Euro 103 million) of the loan by tranches was completed in 2010; expiry is set at eight years from the date of the actual usage. The loan agreement provides for compliance with the covenants, to be verified at the end of each half year, which are also in line with those of the banking pool and which were complied with in full at 31 December 2014.

Again with reference to the “copper” sector, there are two factoring contracts which were recently renewed in 2014 up to June 2016, which provide for covenants in line with those of the banking pools, relative to 31 December 2014.

a non-recourse factoring agreement that KME AG, together with its subsidiaries, has in course with GE Factofrance SAS, signed on 30 September 2006 and subsequent amendments and integrations;

factoring agreements that the subsidiaries KME Italy Spa, KME Brass Italy S.r.l., KME France SA, and KME Brass France SAS signed on 26 April 2011 with Mediofactoring S.p.A. and subsequent amendments and integrations.

The agreement with GE FactoFrance SAS consists of a credit line of up to Euro 355 million to be used for factoring without recourse while the one with Mediofactoring provides for a credit line of up to Euro 170 million to be used for factoring transactions.

On the date of these financial statements, the aforementioned transactions without recourse amounted to Euro 195.2 million (Euro 255.0 million at the end of the previous year).

The real estate sector loans are the following:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Rede Immobiliare loan	2,000	-	2,000
Tecno Servizi loan	5,591	-	5,591
I2 Real Estate - Intesa SanPaolo loan	253	1,251	1,504
I2 Real Estate (ex Nuova Parva) loan	949	216	1,165
Malpaso loan	12,074	-	12,074
"Real estate" loans	**20,867**	**1,467**	**22,334**

- the *"Rede Immobiliare Loan"*(Cassa Risparmio Parma e Piacenza) amounting to Euro 2,000 thousand which expired in September 2014 has essentially been renewed with repayments of Euro 500 thousand every half year. The first instalment was paid at the end of March 2015. 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) expiring on 31 December 2015 of Euro 5,591 thousand. Quarterly payments have been agreed of Euro 150 thousand expiring on 31 March, 30 June, 30 September and the payment of the residual amount will be on 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 1,504 thousand which expires on 31 December 2021. The short-term amount is Euro 253 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 short term portion includes the amount to be applied to the debt to be assumed from the purchaser of several property units. The current amount is Euro 1,165 thousand with a duration until 31 December 2024. Interest is calculated on the basis of 6-month Euribor plus a spread of 1.25%. No financial covenants are envisaged.

- The “Malpaso credit line” (GE Capital): the loan is equal to Euro 12,074 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.

Following the application of the Investment Entity Standard, the only long-term financial payable recognized in the consolidated financial statements refer to I2 Real Estate.

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

The items “SFP Intek Group” and “Intek Group bonds” relate to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue of quasi equity bonds). At 31 December 2014, the outstanding Intek Group bonds, with a nominal amount of Euro 0.50, were 22,655,247 while the Intek Group equities, with a nominal amount of Euro 0.42 that were outstanding totalled 115,863,263. Both categories of securities had a duration of five years from 2012 to 2017 and a fixed remuneration of 8%.

In December 2014 INTEK Group launched the issue of a new bond with a duration from 2015 to 2020, and yield at a fixed rate of 5%. This security was offered in exchange to holders of outstanding securities and as an offer to subscribe. Upon completion of the transaction concluded in February 2015, the securities that were not used to participate in the exchange were redeemed early. Due to the transaction, the value of the securities which were previously recognized at amortised cost, was adjusted to their book value. Furthermore, a special risk provision of Euro 892 thousand was established against the premium to be paid to the participants in the exchange.

4.18. Other non-current liabilities

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Payables due to employees	-	11,007	(6,053)	-	(4,954)
Other payables	938	1,132	-	-	(194)
Other non-current liabilities	**938**	**12,139**	**(6,053)**	**-**	**(5,148)**

The *"Payables due to employees" mainly referred to the payables to employees of KME companies.*

“Other payables” relate to the special situations business as part of the taking over of court-approved agreements with creditors.

4.19. Provisions for risks and charges

A summary of the movements relating to the provisions for risks and charges is as follows:

(in thousands of Euro)	*31 Dec. 2013*			*Translation differences*	*Increases*	*Change in scope of consolidation*	*Releases/ uses*	*Changes per Investment Entity*	*31 Dec. 2014*
	Non-current	*Current*	*Total*						
Provision for restructuring	1,376	3,062	4,438	-	4,159	-	(5,756)	(2,841)	-
Provisions for *special situation* risks	10,914	51	10,965	-	2,597	-	(415)	(9,499)	3,648
Other provisions for risks and charges	12,132	10,786	22,918	8	47,379	(456)	(26,996)	(40,400)	2,453
Total	**24,422**	**13,899**	**38,321**	**8**	**54,135**	**(456)**	**(33,167)**	**(52,740)**	**6,101**

The “*provision for restructuring*” mainly relates to the cost of downsizing operations in France.

A significant part of the increase during the period in the item “*Other provisions for risks and charges*,” amounting to Euro 19.5 million, is due to the recognition of risks connected to the issuing of performance guarantees for GD, referring to the joint venture.

The item *"Other provisions for risks and charges"* includes, among other things, contingent liabilities for environmental risk of Euro 4.3 million, product warranties of Euro 3.0 million, the public exchange offer of Euro 0.9 million and legal and tax risks of Euro 0.6 million.

With respect to main litigation brought against the Group’s industrial companies, please be advised that:

- Regarding the lawsuit claiming damages which began in February 2010 by Toshiba Carrier UK Ltd and another fifteen 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, together with another five manufacturers of LWC coils due to infraction of antitrust regulations, it is hereby reported that in February 2014 the affected KME Group companies reached an agreement with the counterparties for settlement of the dispute, covering the capital and the interests.
- In October 2012 the companies 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. In October 2014, the High Court of Justice completed the archiving of the procedure following the settlement of the dispute by the parties.

“Provisions for risks from special situations” relate to the leasing and factoring businesses which was previously conducted by the Fime Group and to the subsidiary FEB – Ernesto Breda for liabilities which arose during the administrative compulsory liquidation procedure. These provisions include an allocation of Euro 6.0 million for ISVEIMER's conditional receivables already recorded in the insolvency proceedings that involved Finanziaria Ernesto Breda within the administrative compulsory liquidation. In January 2012 the subsidiary FEB received a credit claim from SGA - Società per la Gestione di Attività SpA (SGA), claiming it was the assignee of ISVEIMER for conditional receivables which had already been recorded as liabilities for the procedure involving Finanziaria Ernesto Breda under the administrative compulsory liquidation which ended with the composition with creditors after bankruptcy as approved by the Court of Milan, as well as claiming interest on arrears. FEB promptly rejected SGA’s credit claims, observing that the treatment of the conditional payables was definitively determined in the agreement proposal that was approved without any opposition and legally became *ex* 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 contest SGA's claims, in the belief that it acted correctly in its treatment of the conditional receivable being challenged and of the related incidental expenses, for which a specific accounting entry had already been made arising from the procedure recorded during the creditors' agreement for a total amount of Euro 6 million. In the fall of 2013 SGA initiated interim injunction proceedings and obtained from the court of Naples the seizure for protective purposes of the assets and receivables of FEB, thereby seizing also the receivables due to FEB from Intek Group of Euro 9 million. FEB immediately submitted an appeal against the court's decision. This seizure has no bearing on the judicial outcome of this case.

The item *"Provisions from risks from special situations"* contains another two allocations. The first, of Euro 1,337 thousand, is connected to commitments undertaken during the disposal phase of an equity investment and refers to a tax assessment. The second, of Euro 2,597 thousand, was established in 2014 following the handing down of a negative ruling issued by the Naples Court of Appeals for a dispute pursuant to article 1526 initiated by the administrator in bankruptcy of a former leasing client.

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

4.20. Current loans and borrowings

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Due to associates	20,373	4,986	15,343	-	44
Guarantees issued liability	3,892	-	3,892	-	-
Bank loans and borrowings	1,202	273,785	(45,329)	-	(227,254)
Due to lease companies	5	1,005	(1,124)	(5)	129
Due to factoring companies	-	45,458	(32,485)	-	(12,973)
Interest rate swap (IRS) and currency forward contracts	-	1,301	(2,502)	(23)	1,224
LME and metal purchase/sale contracts	-	6,985	(7,658)	-	673
Due to others	3,932	17,700	(7,178)	(4,270)	(2,320)
Current loans and borrowings	**29,404**	**351,220**	**(77,041)**	**(4,298)**	**(240,477)**

"Due to associates" contains the balance of the corresponding current accounts, which are held at market rates with remuneration set at Euribor plus a spread, in existence with the following direct or indirect subsidiaries:

- Euro 18,835 thousand with FEB-Ernesto Breda
- Euro 1,537 with Breda Energia.

"*Bank loans and borrowings*" also include amounts falling due within twelve months of the long-term loans as mentioned above.

"Payables to factoring companies" referred to the assignments without recourse that were active as at the balance sheet date. Similarly, the item "LME and metal buyer/seller contracts" are carried at the fair value of contracts outstanding at the year-end.

"*Due to others*" include payables due to the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali (Qualified accountant pension fund) (Euro 1,960 thousand) and the interest on the debt securities issued (Euro 1,972 thousand). The payable to Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali was decreased in 2014 by Euro 6,100 thousand due to payment of the debt through the sale of properties in 2014. It was then completely repaid in the initial months of 2015.

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

4.21. *Trade payables*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Due to suppliers	1,138	481,083	(485,868)	(22,696)	28,619
Due to associates	138	348	(1,644)	-	1,434
Trade payables	**1,276**	**481,431**	**(487,512)**	**(22,696)**	**30,053**

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

4.22. *Other current liabilities*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Due to employees	160	31,641	(27,571)	(1,678)	(2,232)
Due to social security institutions	196	10,397	(8,247)	(75)	(1,879)
Tax liabilities	3,445	27,150	(12,426)	(769)	(10,510)
Accrued expenses and deferred income	-	4,475	(1,945)	-	(2,530)
Payables to directors and statutory auditors	2,090	2,813	-	-	(723)
Other liabilities	1,697	24,559	(15,435)	(206)	(7,221)
Other current liabilities	**7,588**	**101,035**	**(65,624)**	**(2,728)**	**(25,095)**

”Due to employees” include accrued amounts that were unpaid at the year end. “Tax payables” primarily relate to value added tax payable and direct taxes.

"Other liabilities" include Euro 1.3 million of payables to former lease customers, from Intek, and they refer to amounts collected as advances from customers which were not offset with credit items.

“Payables due to directors and statutory auditors” refers to the Parent and includes Euro 1,742 thousand for the end of mandate indemnification which had previously existed for the Chairman.

4.23. *Deferred tax assets and liabilities*

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Changes per Investment Entity*	*Change in scope of consolidation*	*Other changes*
Deferred tax assets	8,633	67,951	(45,405)	(1,441)	(12,472)
Deferred tax liabilities	(1,728)	(101,012)	95,057	3,461	766
Deferred tax assets and liabilities	**6,905**	**(33,061)**	**49,652**	**2,020**	**(11,706)**

The Parent has not recognised deferred taxes on the temporary difference relating to the financial investment in the subsidiary KME AG in compliance with paragraph 39 of IAS 12.

At the reporting date of these consolidated financial statements, the Group did not record deferred tax assets on tax losses amounting to Euro 2.6 million on which the deferred tax assets had been recognised.

Deferred tax assets and liabilities by item are shown below:

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2014	*31 Dec. 2013*	*31 Dec. 2014*	*31 Dec. 2013*
Property, plant and equipment	-	6,533	-	(47,833)
Intangible assets	53	101	-	-
Investment property	273	86	-	(1,390)
Investments	-	-	(337)	-
Inventories	-	189	-	(46,606)
Trade receivables	5,940	7,024	(1,385)	(1,789)
Other current receivables and assets	104	51	-	-
Current financial assets	-	406	-	(2,660)
Employee benefits	-	29,753	-	(136)
Non-current loans and borrowings	-	857	-	-
Other non-current liabilities	-	1,986	(6)	(113)
Provisions for risks and charges	980	1,320	-	-
Current loan and borrowings	-	989	-	(263)
Trade payables	-	983	-	-
Other current liabilities	475	1,542	-	(222)
Deferred tax assets on equity items	88	154	-	-
Deferred tax assets on tax losses carried forward	720	15,977	-	-
Total	**8,633**	**67,951**	**(1,728)**	**(101,012)**

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.

4.24. Transactions with other related parties

During the year, the Group traded with unconsolidated related parties. The related amounts were insignificant, as shown in the tables below.

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

The details of the assets and liabilities and of the costs and revenues with related parties are as follows:

(in thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial assets*	*Current loans and borrowings*	*Suppliers*	*Other current liabilities*
Breda Energia SpA in liquidation (1)	-	22	-	-	(1,538)	-	-
Bredafin innovazione SpA in liquid.	-	20	-	-	-	-	-
Culti Srl	-	57	-	1,927	-	-	-
ErgyCapital SpA	-	416	-	4,060	-	-	-
EM Moulds S.r.l.	-	5	-	-	-	-	-
FEB - Ernesto Breda SpA	-	58	-	-	(18,834)	-	-
Idra International SA	274	-	-	-	-	-	-
Intek Investimenti Srl	-	3	-	6	-	-	-
KME AG	-	618	-	-	-	-	-
KME Brass France S.A.S.	-	22	-	-	-	-	-
KME Brass Germany Gmbh	-	4	-	-	-	-	-
KME Brass Italy srl	-	5	-	-	-	-	-
KME France S.A.	-	13	-	-	-	-	-
KME Italy SpA	-	58	-	-	-	-	-
KME Germany & CO KG Gmbh	-	4	-	-	-	(7)	-
KME Yorkshire Ltd.	-	200	-	291	-	-	-
KME Spain S.A.	-	11	-	-	-	-	-
New Cocot Srl in liquidazione	175	-	-	-	-	-	-
Progetto Ryan 2 Srl in liquidation	-	100	-	-	-	-	-
Quattroduedue Holding B.V.	-	-	8	-	-	-	-
Quattroduedue SpA	-	37	-	1,488	-	-	-
Società Agr. San Vito Biogas Srl	-	185	-	-	-	-	-
Tecno Servizi	6,912	-	-	-	-	-	-
Receivables from guarantees	1,675	-	-	3,892	-	-	-
Directors’ and Statutory Auditors	-	-	130	-	-	(131)	(2,090)
	9,036	**1,838**	**138**	**11,664**	**(20,372)**	**(138)**	**(2,090)**
Total	**11,760**	**11,040**	**14,636**	**12,131**	**(29,404)**	**(1,276)**	**(7,588)**
Percentage	**76.84%**	**16.65%**	**0.94%**	**96.15%**	**69.28%**	**10.82%**	**27.54%**

(in thousands of Euro)	*Revenue from sales and services*	*Other operating income*	*Purchases and changes in raw materials*	*Other operating costs*	*Financial income*	*Financial expense*
Adv Mould India Lmt	-	-	-	(1)	-	-
Breda Energia SpA in liquidation (1)	-	40	-	-	4	(129)
Bredafin innovazione SpA in liquid.	-	40	-	-	2	(2)
Culti Srl	-	10	-	-	6	-
Ergy Capital SpA	10	-	-	-	25	-
Intek Investimenti Srl	-	-	-	-	1	-
KME America Inc.	-	10	-	(1,048)	-	(9)
KME Chile Limitada	-	-	(60)	(1)	-	-
KME Connector Stolberg	161,026	2,985	(66,489)	(352)	-	-
KME India Private Ltd.	149	-	-	(38)	-	-
KME Kalip Servis Sanayi	-	-	-	(5)	-	-
KME Marine Serv America LLC	-	-	-	(94)	-	-
KM Polska Sp. Zo.o.	-	-	-	(471)	-	-
KME Metals (Shanghai) Trading Ltd.	-	45	-	(420)	-	-
KME (Suisse) S.A.	-	-	-	(654)	-	-
Metalcenter Danmark A/S1	10,505	12	(1)	-	-	-
N.V. KME Benelux S.A.	-	-	-	(668)	-	-
P.H.M. Pehamet Sp.Zo.o	5,782	87	-	-	-	-
Quattroduedue SpA	-	15	-	-	18	(29)
Società Agr. San Vito Biogas Srl	-	-	-	-	38	-
Shareholdings' adjustments	-	-	-	-	-	-
	177,472	**3,244**	**(66,550)**	**(3,752)**	**94**	**(169)**
Total	**2,027,954**	**102,116**	**(1,488,665)**	**(291,870)**	**48,011**	**(40,236)**
Percentage	**8.75%**	**3.18%**	**4.47%**	**1.29%**	**0.20%**	**0.42%**

Personnel expense indicated as due to related parties in Statement of other comprehensive income only refers to the stock options.

"Other operating costs" mostly refer to commissions on sales.

5. ***Statement of comprehensive income***

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any “atypical and/or unusual transactions” in 2014.

5.1. Revenue from sales and services

An analysis of revenue by geographical segment is shown below:

(millions of Euro)	*2014*	*2013*	*Change*	*Change%*
Germany	*598*	*540*	*58*	*10.74%*
Italy	*329*	*391*	*(62)*	*-15.86%*
France	*201*	*237*	*(36)*	*-15.19%*
United Kingdom	*101*	*187*	*(86)*	*-45.99%*
Spain	*68*	*86*	*(18)*	*-20.93%*
Other European countries	*477*	*569*	*(92)*	*-16.17%*
Total Europe	1,774	2,010	(236)	-11.74%
Rest of the world	254	325	(71)	-21.85%
Total revenue	**2,028**	**2,335**	**(307)**	**-13.15%**

Revenue, net of raw material costs, as shown in the "Directors’ Report", decreased by Euro 63 million from Euro 669.2 million in 2013 to Euro 606.2 million. Approximately Euro 15 million of this reduction was due to the change in the perimeter following the transactions in Great Britain and China, described above.

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

5.2. Purchases and change in raw materials

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Purchase of raw materials and consumables	(1,449,818)	(1,718,166)	268,348	-15.62%
(Gains)/losses on LME trading	(2,279)	26,495	(28,774)	-108.60%
Fair value on LME and metal purchase/sale contracts	7,553	(12,932)	20,485	-158.41%
Change in raw materials and consumables	(44,121)	(43,083)	(1,038)	2.41%
Purchases and changes in raw materials	**(1,488,665)**	**(1,747,686)**	**259,021**	**-14.82%**

5.3. Other operating income

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Gains on sale of non-current assets	27,431	3,219	24,212	752.16%
Insurance claim	3,716	1,450	2,266	156.28%
Lease income	2,334	2,019	315	15.60%
Fund management fees	1,168	1,331	(163)	-12.25%
Government grants	997	1,779	(782)	-43.96%
Cafeteria	653	599	54	9.02%
Other	65,817	15,750	50,067	317.89%
Other operating income	**102,116**	**26,147**	**75,969**	**290.55%**

Part of the “Capital gains from the sale of fixed assets,” of Euro 24.5 million and the relative machinery contributed in the Golden Dragon transaction, and a part of the other operating income of Euro 17.0 million, relative to the disposal of the sanitary tube operation in Great Britain, were indicated as “non-recurring income and expenses” in the “Reclassified income statement” presented in the "Directors’ Report".

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

5.4. Personnel expenses

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Wages and salaries	(208,948)	(224,431)	15,483	-6.90%
Social security charges	(53,907)	(57,344)	3,437	-5.99%
Stock option costs	(51)	(342)	291	-85.09%
Other personnel expense	(28,964)	(17,007)	(11,957)	70.31%
Personnel expenses	**(291,870)**	**(299,124)**	**7,254**	**-2.43%**

The reduction in the personnel costs is connected to the reduction in the average number of employees, the change in the perimeter following the transactions in Great Britain and China, and other policies aimed at containing costs.

“Other personnel expense” includes accruals to “defined benefit pension plans” and “post-employment benefits” of Euro 22.5 million.

Euro 2.7 million of the above personnel expense relating to the cost of decreasing personnel and reducing hours worked (special temporary government-sponsored lay-off scheme, solidarity agreements and similar arrangements) have been reported under “Non-recurring income/(expense)” in the “Reclassified Income Statement" shown in the Directors’ Report.

Average number of employees:

	2014	*2013*	*Change*	*Change%*
Executives and clerical	1,519	1,609	(90)	-5.59%
	27.87%	27.50%		
Blue collars and special categories	3,932	4,242	(310)	-7.31%
	72.13%	72.50%		
Total employees (average)	**5,451**	**5,851**	**(400)**	**-6.84%**
	100.00%	100.00%		

The existing stock option plan (KME Group SpA 2010-2015 Stock Option Plan) provides for a maximum number of 31,000,000 options authorised by the Shareholders’ Meeting and attributable up to 31 December 2015. Each option carries the right to subscription of one ordinary share.

Two assignments have been made.

The first is in 2010 totalling 25,500,000 options which give beneficiaries the right to subscribe or purchase from the Company an equivalent number of Intek Group S.p.A. ordinary shares at the unit price of Euro 0.295 with a fair value per option of Euro 0.073.

The second in 2012 for a further 3,500,000 *stock options* for a subscription value of Euro 0.326 per share, with a fair value for each share of Euro 0.060.

The evolution of the stock option plan at 31 December 2014 is as follows:

No. of options	*31 Dec. 2014*	*31 Dec. 2013*
Options existing at 1 January	**29,000,000**	**29,000,000**
Existing options at end of the period	**29,000,000**	**29,000,000**
of which exercisable	*27,833,333*	*26,666,667*

5.5. Amortisation, depreciation and impairment losses

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Depreciation	(30,903)	(43,094)	12,191	-28.29%
Amortisation	(993)	(1,632)	639	-39.15%
Reversals of prior year impairment losses	2,090	2,288	(198)	-8.65%
Reversal of impairment losses on property investments	(1,078)	(2,110)	1,032	-48.91%
Impairment losses	(8,239)	(75)	(8,164)	10885.33%
Amortisation, depreciation and impairment losses	**(39,123)**	**(44,623)**	**5,500**	**-12.33%**

5.6. Other operating costs

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Energy	(60,098)	(67,488)	7,390	-10.95%
Maintenance and repairs	(22,335)	(21,967)	(368)	1.68%
Insurance premiums	(11,492)	(13,279)	1,787	-13.46%
Lease payments and operating leases	(9,550)	(10,033)	483	-4.81%
Outsourced production	(23,908)	(27,990)	4,082	-14.58%
Sales logistics and transport	(44,030)	(51,390)	7,360	-14.32%
Commissions	(12,378)	(14,106)	1,728	-12.25%
Factoring Funding fees	(2,534)	(3,081)	547	-17.75%
Other	(102,461)	(70,626)	(31,835)	45.08%
Other operating costs	**(288,786)**	**(279,960)**	**(8,826)**	**3.15%**

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

The item "*Other"* includes among other things (2013 amount):

- accruals, net of any releases, to the "Provision for risks and charges," of Euro 31,597 thousand (net releases of Euro 3,073 thousand). The increase is connected to the allocation made as part of the Chinese joint venture;
- banking services amounting to Euro 3,694 thousand (Euro 4,201 thousand);
- capital loss on divestments amounting to Euro 466 thousand (Euro 1,535 thousand);
- acrruals to the allowance for impairment amounting to Euro 3,893 thousand (Euro 1,921 thousand);
- advertising and similar of Euro 4,353 thousand (Euro 3,887 thousand);
- legal consultancy and administrative costs plus fees for company bodies and independent auditors of Euro 14,648 thousand (Euro 14,415 thousand);
- waste disposal costs amounting to Euro 4,545 thousand (Euro 4,363 thousand);

- travel and company cafeteria amounting to Euro 6,040 thousand (Euro 6,404 thousand);
- phone and telecommunication costs amounting to Euro 1,719 thousand (Euro 1,683 thousand);
- external personnel amounting to Euro 3,516 thousand (Euro 4,522 thousand);
- IT consulting of Euro 1,755 thousand (Euro 3,728 thousand);
- sundry taxes amounting to Euro 7,515 thousand (Euro 8,048 thousand).

One portion of the *"Other operating costs"*, of an amount equal to Euro 8.7 million, was listed as "Non-recurring income and expenses" in the "Reclassified income statement" presented in the "Directors' Report."

5.7. Financial income and expense

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Interest income	*736*	*1,170*	*(434)*	*-37.09%*
Losses on exchange/forex derivatives	*4,029*	*739*	*3,290*	*445.20%*
Income from securities and equity investments	*43,125*	*3,265*	*39,860*	*1220.83%*
Other financial income	*121*	*1,367*	*(1,246)*	*-91.15%*
Financial income	48,011	6,541	41,470	634.00%
Interest expense	*(17,311)*	*(16,013)*	*(1,298)*	*8.11%*
Losses on exchange/forex derivatives	*(7,584)*	*(1,777)*	*(5,807)*	*326.79%*
Losses on securities and equity investments	*(9,977)*	*(5,538)*	*(4,439)*	*80.16%*
Commissions payable	*(4,597)*	*(3,014)*	*(1,583)*	*52.52%*
Other financial expense	*(2,060)*	*(616)*	*(1,444)*	*234.42%*
Financial expense	(41,529)	(26,958)	(14,571)	54.05%
Net financial expense	**6,482**	**(20,417)**	**26,899**	**-131.75%**

The charges relative to the Intek Group 2012-2017 Debt securities and to the 2012-2017 Intek Group Bonds for an overall sum of Euro 7,194 thousand including amortisation due to issue discounts are included under the item "Interest expense". Of this item, Euro 1,817 thousand refers to the alignment of the carrying amount with the redemption value consequent to the exchange offer and early redemption of securities;

"*Net Financial Expenses*" have been influenced positively by the sale of Cobra AT which resulted in a capital gain of the consolidated level of Euro 34.1 million compared to the book values as at 30 June. The Cobra percentage recognized among assets had also increased in value in the first half of the year. Conversely, the write-downs in particular of the equity investment in Culti and part of the receivables due from the latter (Euro 2,700 thousand) and the ErgyCapital warrants (Euro 864 thousand) had a negative contribution.

Part of the "*Financial expenses*" (Euro 7.1 million) has been reported under “Non-recurring income/(expense)” in the “Reclassified Income Statement” shown in the Directors’ Report.

5.8. Share of profit of equity-accounted investees

The loss of Euro 5,212 thousand is relative to the year results of the investees;

- Cobra A.T., for the first half of the year, positive by Euro 1,709 thousand;
- ErgyCapital S.p.A. negative by Euro 5,217 thousand, of which Euro 3,937 due to write-downs;
- KMD (HK) Holding Limited negative by Euro 1,704 thousand.

5.9. *Fair value change on investments*

The amount of Euro 146,628 thousand represents the effect of the application of the investment entity standard and therefore derives from the difference between the fair value of the investment at 31 December 2014 and the carrying amount of the relative assets and liabilities. It consists of Euro 148,394 thousand of the effects on KME AG.

5.10. *Current and deferred taxes*

(in thousands of Euro)	*2014*	*2013*	*Change*	*Change%*
Current taxes	(2,753)	(14,438)	11,685	-80.93%
Deferred taxes	(10,276)	20,449	(30,725)	-150.25%
Current and deferred taxes	**(13,029)**	**6,011**	**(19,040)**	**-316.75%**

Since 2007, Intek Group S.p.A. 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:

(in thousands of Euro)	*2014*	*2013*
Profit before tax	168,994	(32,549)
Theoretical tax charge (tax rate used 31.4%)	**(53,064)**	**10,220**
Reconciliation:		
Use of different tax rates:	1,447	(1,172)
Other effects:		
- Non-deductible (expenses) and non-taxable income	(8,541)	(5,116)
- Tax losses – Deferred taxes not set aside	(6,890)	(379)
Use of tax losses	3,355	3,252
- Impairment losses (reversal of impairment losses) on investments and securities	53,065	(1,196)
Current taxes for previous years	259	233
- Taxes on profits (losses) of equity-accounted investees	(402)	595
- Other	(2,258)	(426)
Taxes recognised in profit or loss	**(13,029)**	**6,011**

6. <u>*Other information:*</u>

6.1. Financial instruments by category

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*	*Change*
Financial assets recognised at fair value in profit or loss	443,945	36,644	407,301
Held-to-maturity investments	-	-	-
Loans and receivables	85,802	288,109	(202,307)
Available-for-sale financial assets	-	-	-
Financial liabilities recognised at fair value through profit or loss	(3,892)	(8,286)	4,394
Financial liabilities at amortised cost	(95,016)	(1,064,853)	969,837
Financial instruments by category			

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statements items at 31 December 2014:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	437,860	-	437,860	-
Non-current loan assets	11,760	10,034	1,726	-
Other non-current assets	484	484	-	-
Trade receivables	11,040	11,040	-	-
Other current receivables and assets	14,636	7,532	-	7,104
Current loan assets	12,131	7,772	4,359	-
Cash and cash equivalents	48,940	48,940	-	-
Total financial assets	**536,851**	**85,802**	**443,945**	**7,104**
Non-current loans and borrowings	(63,147)	(63,147)	-	-
Other non-current liabilities	(938)	(938)	-	-
Current loans and borrowings	(29,404)	(25,512)	(3,892)	-
Trade payables	(1,276)	(1,276)	-	-
Other current liabilities	(7,588)	(4,143)	-	(3,445)
Total financial liabilities	**(102,353)**	**(95,016)**	**(3,892)**	**(3,445)**

6.3. Notional amount of financial instruments and derivatives

There are no derivative Financial Instruments recognized in the Statement of Financial Position at 31 December 2014 after application of the investment entity standard.

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:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 31 dec 2014*	*Net value*
Not yet due	1,020	-	1,020
Up to 60 days past due	-	-	-
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
over 1 year past due	1,433	(1,043)	390
Trade receivables	**2,453**	**(1,043)**	**1,410**

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

(in thousands of Euro)	
Balance at 31 December 2013	**14,164**
Translation differences	192
Impairment losses of the year	895
Uses	(1,537)
Releases	861
Investment Entity Effect	(13,532)
Balance as at 30 June 2014	**1,043**

6.5. Currency risk

At 31 December 2014 there were no assets or liabilities in a foreign currency.

6.6. Sensitivity analysis

This is not significant considering the absence of assets and liabilities in a foreign currency.

6.7. Interest rate risk

The Group's interest rate structure of interest-bearing financial instruments at 31 December 2014 was as follows:

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
Financial assets	-	1,615
Financial liabilities	(50,722)	(80,997)
Fixed-rate instruments	**(50,722)**	**(79,382)**
Financial assets	17,806	80,635
Financial liabilities	(23,062)	(376,623)
Floating rate instruments	**(5,256)**	**(386,458)**

6.8. Sensitivity analysis of the cash flows of floating rate financial instruments

An increase (or decrease) of 50 interest rate basis points (bs) at the year end period would produce a decrease (increase) in equity and profit of approximately Euro 0.2 million (Euro 1.6 million in 2013). 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 2013.

6.9. Liquidity risk

Liquidity risk can arise from the inability to raise financing for operating activities as and when required. The holding company coordinates the cash inflows and outflows for the companies.

6.10. Fair value and carrying amount

Pursuant to IFRS 13 para. 91 we declare that the carrying amounts of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

6.11. Fair value hierarchy

IFRS 7, para. 27A and IFRS 13 require financial instruments recognised at fair value in the statement of financial position to be classified with reference to a hierarchy of levels, based on the significance of the input used to determine fair value.

The standard stipulates three levels:

Level 1 - listed prices on an active market for the asset or liability to be measured;

Level 2 - inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs not based on observable market data.

The financial instruments recognized in the balance sheet income statement at fair value (see the reconciliation table with the balance sheet items) except for the investment in Ergycapital shares and warrants which belongs to Level 1, since it is listed, are classified under Level 3.

6.12. Other financial obligations

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

(in thousands of Euro)	*31 Dec. 2014*	*31 Dec. 2013*
within 1 year	147	5,206
from 1 to 5 years	506	7,630
due after 5 years	-	319
Minimum irrevocable payments	**653**	**13,155**

7. Segment reporting

Pursuant to IFRS 8, we hereby present the information by segment so as to make it possible to assess the nature and the effects on the financial statements of the activities and the reference economic frameworks. At the operations level, during 2014 the Intek Group had three operating sectors that require disclosure, as detailed below:

Copper products: a segment 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.

Beginning from the second half of 2014, following the sale of Cobra AT, the remaining assets were included in the finance sector.

(in thousands of Euro)	*Copper*	*Finance*	*Advanced services*	*Holding company*	*Group and miscella-neous*	*Total*
External revenues	2,027,938	-	-	16	-	2,027,954
Internal revenues	-	-	-	113	(113)	-
Total segment revenues	**2,027,938**	**-**	**-**	**129**	**(113)**	**2,027,954**
Other operating revenues - external	99,680	2,060	-	376	-	102,116
Other operating revenues - internal	-	872	-	-	(872)	-
Total other segment income	**99,680**	**2,932**	**-**	**376**	**(872)**	**102,116**
Segment profit (loss) before taxes	**5,880**	**(1,722)**	**(2,208)**	**167,044**	**-**	**168,994**
Total segment assets	**392,615**	**-**	**89,303**	**77,278**	**(6,205)**	**552,991**
Total segment liabilities	**-**	**(10,130)**	**-**	**(106,728)**	**6,205**	**(110,653)**

The segment activities include good well relative to the finance segment of Euro 1,000 thousand.

The information by geographical segments, if relevant, are shown in the comments referring to the individual items.

Annexes to the notes

Reconciliation of the loss of the Parent Intek Group SpA and the consolidated loss for the year ended 31 December 2014

Net loss for the period of Intek Group SpA separate financial statements	**10,945**
Effect of the application of the investment entity standard on consolidated amounts	127,178
Loss for the period of subsidiaries (1)	13,757
Reversal of impairment losses on investments	(6,006)
Share of profit of equity-accounted investees	2,221
Measurement at fair value of trading investments	(2,156)
Effect of the Cobra sale	9,912
Loss attributable to owners of the Parent	**155,851**
Profit/ (Losses) of subsidiaries 01/01/2014-31/12/2014	
(1) KME AG consolidated loss	(5,179)
KME Partecipazioni Result	21,201
Losses of other investments	(2,265)

Reconciliation between the equity of Intek Group SpA and the Consolidated equity at 31 December 2014

(in thousands of Euro)	
Parent's Equity including loss for the year	**447,409**
Treasury shares held by the investee	(1,455)
Measurement at fair value of ErgyCapital (shares and warrants)	(3,536)
Other effects	(80)
Equity including loss for the year attributable to the owners of the parent	**442,338**

Effects of the application of the Investment Entity Standard

The effect on the Statement of Financial Position of application of the Investment Entity Standard are summarized in the tables below. These effects are fully illustrated in the notes accompanied each individual item.

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Notes*	*Investment Entity Effect*	*Traditional*
Investments in equity interests and fund units	*4.1*	437,860	7,738
Non-current financial assets	*4.2*	11,760	8,008
Investment property	*4.3*	4,488	79,920
Property, plant and equipment	*4.4*	456	508,221
Goodwill	*4.5*	1,000	125,801
Intangible assets	*4.6*	4	2,071
Instrumental equity investments	*4.7*	-	12,972
Investments in other companies	*4.7*	-	272
Investments in equity-accounted investees	*4.7*	-	92,632
Other non-current assets	*4.8*	484	6,568
Deferred tax assets	*4.23*	8,633	54,038
Total non-current assets		**464,685**	**898,241**
Current financial assets	*4.9*	12,131	85,069
Inventories	*4.10*	-	449,713
Trade receivables	*4.11*	11,040	133,413
Other current receivables and assets	*4.12*	14,636	47,888
Cash and cash equivalents	*4.13*	48,940	73,414
Total current assets		**86,747**	**789,497**
Non-current assets held for sale	*4.14*	1,559	1,559
Total assets		**552,991**	**1,689,297**

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Notes*	*Investment Entities*	*Traditional*
Share capital		314,225	314,225
Reserves		28,251	130,352
Treasury shares	*2.12*	(3,638)	(3,638)
Retained earnings (accumulated losses)		(76,318)	53,648
Convertible loan	*2.12*	24,000	20,844
Consolidation reserves	*4.15*	-	(188,330)
Reserve of Other comprehensive income	*4.15*	(33)	(52,019)
Profit(loss) for the period		155,851	9,559
Equity attributable to owners of the Parent	***2.12***	**442,338**	**284,641**
Non-controlling interests		-	6,734
Total equity	***2.12***	**442,338**	**291,375**
Employee benefits	*4.16*	471	237,421
Deferred tax liabilities	*4.23*	1,728	96,785
Non-current loans and borrowings	*4.17*	63,147	329,439
Other non-current liabilities	*4.18*	938	6,991
Provisions for risks and charges	*4.19*	6,101	58,841
Total non-current liabilities		**72,385**	**729,477**
Current loans and borrowings	*4.20*	29,404	106,445
Trade payables	*4.21*	1,276	488,788
Other current liabilities	*4.22*	7,588	73,212
Total current liabilities		**38,268**	**668,445**
Total liabilities and equity		**552,991**	**1,689,297**

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS

PARA. 5 OF ITALIAN LEGISLATIVE DECREE 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 *bis,* paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of Intek Group S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the actual application of administrative and accounting procedures for the preparation of the Consolidated Financial statements during 2014, including the policies which the company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the consolidated financial statements:
      a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002. For the first time, beginning from the end of the last quarter of 2014, the Investment Entity accounting standard was applied to these financial statements (amendments to IFRS 10 and 12 and IAS 27 as introduced by EU regulation 1174/2013);
      b) reflect the balances recorded in the companies' books and accounting records;
      c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer and all the consolidated companies;

   3.2. the Directors' Report contains a reliable analysis of the operating performance and results and the situation of the issuer and its consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 27 April 2015

The Chairman

(signed on the original)

Vincenzo Manes

The Manager in charge of Financial Reporting

(signed on the original)

Giuseppe Mazza

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on Consolidated financial statements as at 31 December 2014

The Board of Statutory Auditors hereby presents a short report on the consolidated financial statements as at 31 December 2014, as part of its general duties to observe the law and the articles of association, though it is not required by law to do so.

Moreover, this report is prepared according to the principle that the arguments or documents submitted by the directors to the Shareholders' Meeting are examined by the Board of Statutory Auditors, which reports to the Shareholders' Meeting itself.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements as at and for the year ended 31 December 2014, and shall be considered as referred to in this report.

ACCOUNTING STANDARDS

As already indicated in detail in the parent company's 2014 report, while preparing the financial statements and above all the Company's consolidated financial statements, the Company opted to qualify as an Investment Entity pursuant to paragraph 27 of IFRS 10.

This qualification was pursued following in-depth examinations and verifications by the Board both with the Company's management and the auditor, KPMG and with the Control and Risks Committee, in consideration of the relevant effect the adoption of such a standard has on the financial statements and in particular the consolidated financial statements.

Given that the Company can qualify as an investment entity, i.e. an *"Investment company,"* Intek Group has prepared its consolidated financial statements for the year ended 31

December 2014 by applying the standards relative to Investment Entities as from the end of the fourth quarter .

This has resulted in the measurement at fair value of investments in subsidiaries that are not instrumental and are therefore no longer consolidated on a line by line basis, maintaining the line by line consolidation system for the remaining equity investments.

In the notes to the consolidated financial statements, the equity investments measured at fair value have been indicated as have those consolidated on the line by line basis.

Pursuant to paragraph 30 of IFRS 10, the application of the aforementioned accounting standards was applied without restatement of the values of previous years.

The adoption of the Investment Entity standard had significant effects on the consolidated financial statements rather than on the separate financial statements of the parent company, resulting in write-backs with a positive effect on equity of Euro 150.9 million net of the tax effect.

At the financial level, the change in the fair value on the investments results in an amount of Euro 146.6 million which represents the effect of applying the investment entity principles and therefore arises from the difference between the fair value of the investments as at 31 December 2014 and the book value of the relative assets and liabilities and Euro 148.4 million refer to KME AG.

The measurement of this fair value was carried out with the assistance of an independent, qualified advisor.

The following schedule shows the main effects on equity from adoption of the standard relative to Investment Companies.

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Notes*	*Investment Entity*	*Traditional*

Investments in equity interests and fund units	*4.1*	437,860	7,738
Non-current financial assets	*4.2*	11,760	8,008
Investment property	*4.3*	4,488	79,920
Property, plant and equipment	*4.4*	456	508,221
Goodwill	*4.5*	1,000	125,801
Intangible assets	*4.6*	4	2,071
Instrumental equity investments	*4.7*	-	12,972
Investments in other companies	*4.7*	-	272
Investments in equity-accounted investees	*4.7*	-	92,632
Other non-current assets	*4.8*	484	6,568
Deferred tax assets	*4.23*	8,633	54,038
Total non-current assets		**464,685**	**898,241**
Current financial assets	*4.9*	12,131	85,069
Inventories	*4.10*	-	449,713
Trade receivables	*4.11*	11,040	133,413
Other current receivables and assets	*4.12*	14,636	47,888
Cash and cash equivalents	*4.13*	48,940	73,414
Total current assets		**86,747**	**789,497**
Non-current assets held for sale	*4.14*	1,559	1,559
Total assets		**552,991**	**1,689,297**

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Notes*	*Investment Entity*	*Traditional*
Share capital		314,225	314,225
Reserves		28,251	130,352
Treasury shares	*2.12*	(3,638)	(3,638)
Retained earnings (accumulated losses)		(76,318)	53,648
Convertible loan	*2.12*	24,000	20,844
Consolidation reserves	*4.15*	-	(188,330)
Reserve of Other comprehensive income	*4.15*	(33)	(52,019)
Profit(loss) for the period		155,851	9,559
Equity attributable to owners of the Parent	***2.12***	**442,338**	**284,641**
Minority interests		-	6,734
Total equity	***2.12***	**442,338**	**291,375**
Employee benefits	*4.16*	471	237,421
Deferred tax liabilities	*4.23*	1,728	96,785
Non-current financial payables and liabilities	*4.17*	63,147	329,439
Other non-current liabilities	*4.18*	938	6,991
Provisions for risks and charges	*4.19*	6,101	58,841
Total non-current liabilities		**72,385**	**729,477**
Current financial payables and liabilities	*4.20*	29,404	106,445
Trade payables	*4.21*	1,276	488,788
Other current liabilities	*4.22*	7,588	73,212
Total current liabilities		**38,268**	**668,445**
Total liabilities and equity		**552,991**	**1,689,297**

It must be indicated that the representation as an Investment Company differs entirely from the traditional consolidation applied in previous years, since the equity structure and that of the income statement, mainly shows items that directly refer to the investment entity and not the non instrumental investees.

This has resulted in a considerable reduction both in the values of the assets and liabilities presented in the consolidated financial statements.

As already pointed out, it is noteworthy that the Company, as during the past years, continues to disclose the differences arising on the measurement of inventories in accordance with IFRS, compared to the Company's management accounts combined with a reconciliation of the results for the year.

SCOPE OF CONSOLIDATION

The composition of the consolidation area with regard to the specific equity investments has been explained in full within the notes.

The main change in the consolidation area, compared to 31 December 2013, refers to the deconsolidation of KMD Connectors Stolberg GmbH following the conclusion in 2014, of the joint venture between KME Ag and the Chinese company Golden Dragon Precise Copper Tube Group Inc.(GD).

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The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 27 April 2015, provided the Directors and Statutory Auditors with a statement, in part for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2014, and their compliance with international financial reporting standards.

Exhaustive information has been provided in the Consolidated financial statements (accounting standards, notes and annexes).

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the financial statements.

Information on the most important events, related party and/or intercompany transactions in 2014, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the separate financial statements for the year.

The Independent Auditors KPMG S.p.A., with which the Board of Statutory Auditors had the necessary contact, issued an unqualified opinion on the financial statements and disclosure systems for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position and results of operations as at 31 December 2014.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Milan, 30 April 2015

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(Marco Lombardi)

The standing auditor

(Francesca Marchetti)

The standing auditor

(Alberto Villani)

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2014, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors represented some of the corresponding figures included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 30 April 2014. We have examined the methods used to determine the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intek Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Intek Group S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2014.

Milan, 30 April 2015

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit