INTEK GROUP

INTERIM FINANCIAL REPORT
AT 30 JUNE 2014

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

pursuant to article 154-ter of the Consolidated finance act

Board of Directors' meeting of 5 August 2014

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

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Company Bodies

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

Chairman	Vincenzo Manes[B]
Deputy Chairwoman	Diva Moriani [B]
	Salvatore Bragantini [E]
	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. 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)*
E. Appointed at the Shareholders' Meeting on 11 June 2014

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

Chairman	Marco Lombardi
Statutory Standing Auditors	Francesca Marchetti
	Alberto Villani
Alternate Auditors	Lorenzo Boni
	Andrea Zonca
Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	KPMG SpA
Common Representative of Saving Shareholders	Pietro Greco
Common Representative of the "2012/2017 Intek Group SpA Bond" Holders	Marco Crispo
Common Representative of the "2012/2017 Intek Group SpA Debt securities" Holders	Rossano Bortolotti

Directors' Report

Dear Shareholders,

In the initial months of 2014 the Intek Group achieved significant results thanks to the dynamic management of its investment which was in line with the management guidelines that the Group set for itself beginning from the end of 2012 with the merger of Intek into KME Group (now Intek Group).

Following the new configuration, Intek Group SpA (hereinafter "Intek Group" or the "Company") is a holding company with diversified interests, the main operations of which are focused on managing the equity investments and other assets in its portfolio.

The Intek Group makes investments with medium-long term time horizons with the aim of creating and maintaining a flexible portfolio with smaller investment cycles than in the past and, as a result, more rapid cash generation. Therefore, opportunities for disinvestments offered by the market are taken advantage of while investments are carefully made in the most performing and promising sectors; the Group prefers to exit segments that have fewer perspectives insofar as adding value or with investment realisation times which are not in line with the group's management policies, whether they are industrial or financial.

In line with this strategic redefinition, we note that the overall appreciation of the Company's performance must be made by considering, not only the assessment of the economic results for the period, but also and above all the change in value recorded in the period.

Maximisation of the value of the assets managed will be achieved by carefully defining business strategies and control of the subsidiaries, identifying the agreements and/or partnership opportunities, increasing the value of specific assets and managing extraordinary operations for subsidiaries. The policy for maximization of the managed assets, one of the main objectives of the holding company which was established at the end of 2012, has already produced significant results over the last two years, particularly with the recent sale of the equity investment in Cobra and, insofar as the "copper" sector, with the agreements concluded in China and Great Britain.

The most significant transaction which was concluded at the end of the first half of 2014 was the signing, in June 2014, of the framework agreement with Vodafone for the sale, as part of the take-over bid made by the telecommunications group, of the 51.4% equity investment held in Cobra AT SpA (hereinafter "Cobra") to take place through KME Partecipazioni's participation in the takeover bid launched by Vodafone Global Enterprise Limited ("**Vodafone**").

The takeover bid is expected to be completed on 8 August 2014 with payment of the consideration by Vodafone and transferral of the equity investment. On 1 August 2014, all the conditions set forth within the takeover bid had been fulfilled except for those relative to the correct and ordinary management of the company which can be waived by Vodafone by 7 August 2014, the day prior to the payment date.

The conclusion of this significant transaction will allow the Intek Group to make the best use of its investment in Cobra with the collection of Euro 74.3 million and the realization, at the consolidated level, of gross capital gains of Euro 34.1 million, as compared to the carrying amounts at 30 June 2014 which will be recognised in the second half of 2014.

Furthermore, the agreements made during 2013 in the copper sector relative to the sale of the sanitary tubing operation in the UK and the joint venture in the connector sector with a major Chinese operator entered into effect.

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

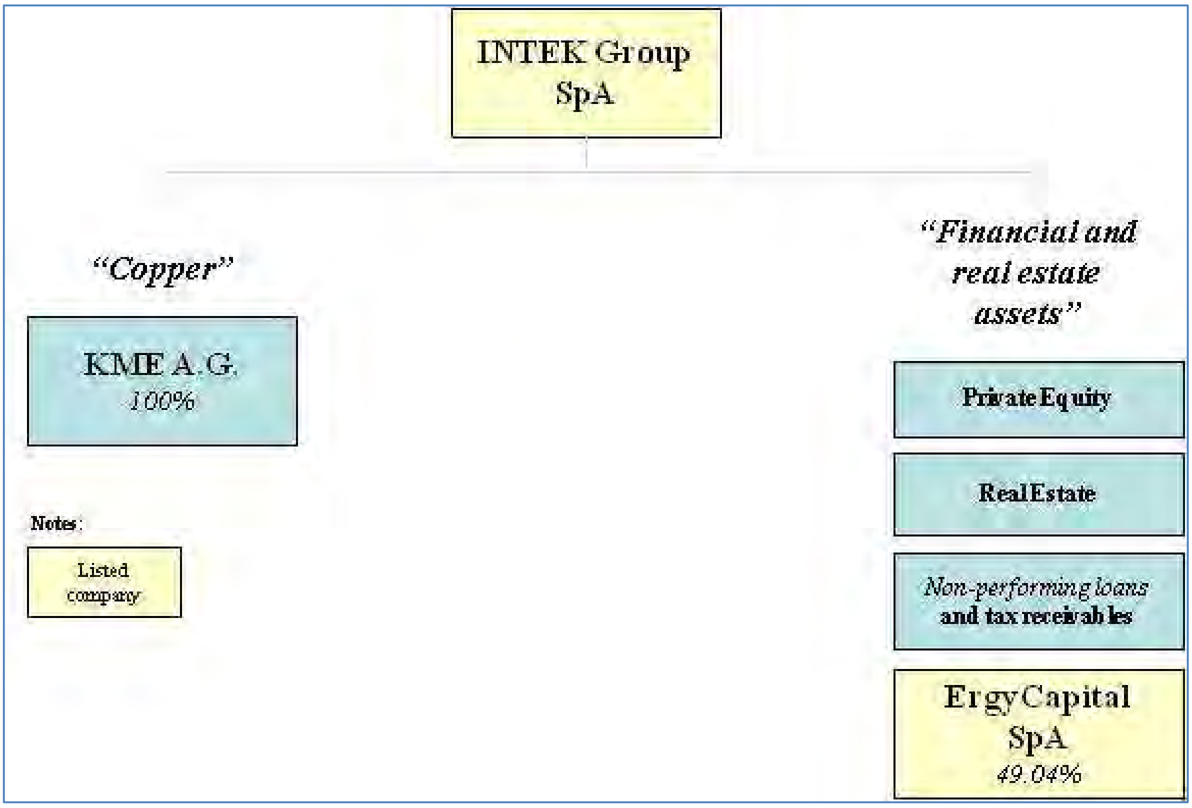
The transaction resulted in the Group recognising, in the first half of 2014, through recognition of the 50% shareholding in KMD (HK) Holding Limited, a gross capital gain of Euro 50 million; approximately one half of this capital gain will remain in suspension against future performance guarantees granted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

The second agreement, signed in October 2013, refers to the sale of the copper sanitary tubing operations which take place in the Kirkby (Liverpool) establishment which belongs to KME Yorkshire Ltd to Mueller Europe Limited, a subsidiary of Mueller Industries Inc. (USA). The transaction was executed on 28 February 2014, following the positive outcome of the antitrust procedure. The sale price of GBP 18 million (equal to approximately Euro 22 million), has resulted in a gross capital gain of GBP 15 million (approximately Euro 18 million) for the group and a total financial benefit equal to approximately Euro 33 million.

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

Summary of the Group's corporate structure

(after the disposal of the equity investment in Cobra AT)



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

After the disposal of the equity investment in Cobra, the investment sectors of INTEK Group S.p.A. are:

- the traditional one of "**copper**", the Group's core business, which includes the production and marketing of copper and copper-alloy semi-finished products by German subsidiary KME AG;
- the "**financial and real estate assets**" sector, which includes the private equity activity which is carried out mainly through the closed ended investment fund I2 Capital Partners and the management of receivables, real estate and other equity investments.

Previously, the “**advanced services**” including ErgyCapital and Cobra AT had been identified. Following the sale of the latter, ErgyCapital was recognised among the “real estate and financial assets.”

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

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

As for the sector of “**financial and real estate assets**”, including tax receivables and non-performing loans, as well as some industrial properties, sale/collection activities continued during the reporting period.

For the “private equity” investments the future programs are focused on maximising the interests of the closed ended real estate fund, which is restricted to qualified investors and managed by I2 Capital Partners SGR. It should be noted that the Fund ended its investment period at the end of July 2012.

Heading a listed group which operates in the renewable energy sector, ErgyCapital SpA intends to focus its main operations on generating cash flow from plants in operation and careful management of liquidity, while also conducting research into extraordinary operations focusing on the company over all as well as the individual business units.

The parent Intek Group SpA

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

At 30 June 2014 the carrying amount of the Company's investments totalled Euro 522 million, with net financial debt of Euro 81.5 million, including Euro 62.3 million of debt securities issued during the 2012 public exchange offers.

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

Condensed separate statement of financial position				
(in thousands of Euro)	*30 Jun. 2014*		*31 Dec. 2013*	
Copper	**383,176**	**73.42%**	**381,770**	**74.45%**
Financial and real estate assets				
Private Equity	*11,231*		*11,940*	
Non operating assets	*18,899*		*19,943*	
Real Estate/Others	*24,210*		*24,150*	
Other	*528*		*509*	
Total financial and real estate assets	**54,868**	**10.51%**	**56,542**	**11.03%**
Advanced services	**81,145**	**15.55%**	**73,133**	**14.26%**
Other non-current assets/liabilities	**2,727**	**0.52%**	**1,330**	**0.26%**
Carrying amount of investments	**521,916**	**100.00%**	**512,775**	**100.00%**
Net reclassified financial debt (net of securities issued)	*(19,282)*		*(17,074)*	
S.F.P. Intek Group S.p.A. 8% 2012 – 2017	*(50,636)*		*(48,469)*	
Intek Group S.p.A. Bonds 8% 2012 -2017	*(11,.624)*		*(11,098)*	
Net reclassified financial debt	**(81,542)**	**-15.62%**	**(76,641)**	**-14.95%**
Total Equity	**440,374**	**84.38%**	**436,134**	**85.05%**

Equity as at 30 June 2014 is equal to Euro 440.4 million as compared to Euro 436.1 million as at 31 December 2013, while the equity per share is equal to Euro 1.11.

The **Share Capital** as at 30 June 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.

As at 30 June 2014 the Intek Group held 5,095,746 ordinary treasury shares (1.475% of the share capital for this category) and 978,543 savings treasury shares (equal to 1.953% of the share capital for this category) for an overall amount of Euro 2.3 million.

It is hereby noted that 1,134,945 ordinary shares were sold in the first half of 2014. The subsidiary KME Partecipazioni SpA held 2,512,024 Intek Group's savings shares (equal to 5.013% of the share capital for this category), for an overall amount of Euro 1.0 million.

The **reclassified net financial position** of the Parent at 30 June 2014 was as follows:

Reclassified net financial position			
(in thousands of Euro)		*30 Jun. 2014*	*31 Dec. 2013*
Cash and cash equivalents		(656)	(930)
Other financial assets		-	-
Current loan assets from subsidiaries		(14,472)	(14,770)
Current receivables for financial guarantees from subsidiaries		(2,751)	(4,356)
(A) Net financial assets	**(A)**	**(17,879)**	**(20,056)**
Current financial payables		21,058	26,295
Loans and borrowings due to subsidiaries		21,620	13,931
(B) Current financial payables	**(B)**	**42,678**	**40,226**
(C) Current net financial debt	**(A) + (B)**	**24,799**	**20,170**
Long-term financial payables		37	47
Intek Group 2012 – 2017 Debt securities		47,106	46,869
Intek Group 2012-2017 bonds		10,803	10,726
(D) Non-current financial liabilities		**57,946**	**57,642**
(E) Net financial debt	**(C) + (D)**	**82,745**	**77,812**
Non-current receivables for financial guarantees due from subsidiaries		(14)	(47)
Non-current loan assets due from subsidiaries		(514)	(452)
Non-current loan assets due from banks		(675)	(672)
(F) Non-current loan assets receivables		**(1,203)**	**(1,171)**
(G) Reclassified net financial debt	**(E) + (F)**	**81,542**	**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 net financial debt is equal to Euro 81.5 million, of which Euro 62.3 million refer to 2012-2017 participatory debt financial instruments (PFI) and 2012-2017 bonds issued against ordinary shares contributed for participation in public exchange offers.

The Debt is equal to 16% of the Investments and is less than one-fifth of Equity, indicating a solid financial structure.

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

Cash flows for the first half of 2014 and 2013 are summarised as follows:

Statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2014*	*1st half 2013*
(A) Cash and cash equivalents at the beginning of the year		**930**	**10.575**
Profit (loss) before tax		3,735	(3,398)
Amortisation and depreciation of intangible assets and property, plant and equipment		50	48
Impairment losses on non-current, non-financial assets		-	300
Impairment losses (reversal of impairment losses) on current and non-current financial assets		(7,135)	(2)
Changes in provision for pensions, post-employment benefits and stock options		36	136
Changes in provisions for risks and charges		(7)	(303)
(increase) / decrease in current receivables		(267)	1,789
Increase / (decrease) in current payables		(1,219)	(1,127)
Taxes paid during year		-	183
(B) Total Cash flows used in operating activities		**(4,807)**	**(2,374)**
Increase in non-current intangible assets and property, plant and equipment		(30)	(10)
(increase) decrease in investments		(70)	-
Increase/decrease in other non-current assets/liabilities		235	(200)
Dividends received		2	2
(C) Cash flows from (used in) investing activities		**137**	**(208)**
(Purchase) sale of treasury shares		370	-
Increase (decrease) in current and non-current loans and borrowings		2,757	(71,981)
(Increase) decrease in current and non-current loans and borrowings		1,269	71,199
(D) Cash flows from (used in) financing activities		**4,396**	**(782)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(274)**	**(3,364)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E)**	**656**	**7,211**

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

Reclassified Income Statement		
(in thousands of Euro)	*1st half 2014*	*1st half 2013*
Services	67	125
Net operating costs	(2,777)	(2,800)
Stock option costs	(26)	(141)
Net financial charges	(653)	(582)
Loss from ordinary activities	**(3,389)**	**(3,398)**
Non-recurring income (expenses)	7,124	-
Profit (loss) before tax	**3,735**	**(3,398)**
Taxes for the year	180	388
Profit for the period	**3,915**	**(3,010)**

The profit for the period benefited from the reversal of the impairment loss made for KME Partecipazioni, due to the higher value of its equity investment in Cobra.

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

Performance in the various investment sectors

<u>Copper sector</u>

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

Demand for semi-processed goods in copper and its alloys on the reference market continues to be affected by the economic activity which is discontinuous and differentiated among the main geographical areas, with growth rates which are overall still modest despite the obviously expansionary monetary policies in the major advanced economies. The considerable elements of fragility, induced by geopolitical tensions underway, render the prospects of a more consistent and widespread recovery uncertain.

In the first part of the year, the cyclical strengthening appears to be more marked in the United States, where the effect of the adverse winter weather conditions was overcome, and also in the United Kingdom and Japan. In the major emerging economies, compared to the recovery in India, signals of a contained growth rate were recorded in China and Brazil while in Russia, the more fragile environment is being negatively affected by geopolitical tensions.

In the Euro area, the recovery of production, still modest to date, has been helped by the positive contribution of foreign interchanges and the strengthening of expenses for fixed investments while the consumption was more or less unchanged; one signal indicating continuing uncertainty in the European economy is the significant drop in the inflation levels. The German economy has nevertheless shown significant dynamism, while a situation of essential stagnation is obvious in France and in Italy.

As described in the Directors’ Report for 2013, the difficult macroeconomic environment of the last few years, which adversely affected the structural production overcapacity of certain segments with competition pressure ensuing as a consequence, pushes operating units in the “copper” sector to reinforce operating efficiency and flexibility and at the same time increase 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 strategic approach leads us to eliminate the non-core operations, which are too small or not competitive, and to decrease the general Group complexity, identifying solutions, also through agreements or partnerships, for the development of those sectors which are currently not able to achieve an acceptable yield for the resources used.

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

The first aims to construct a production plant for laminated product 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, which should be finished by 2015, while KME Group has made available a facility in Stolberg (Germany) with the relative machinery, know how, the KME brand and a portfolio of global customers. 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. 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 *asset*s that would otherwise be used for much less productive activities.

The second agreement resulted in the sale of the sanitary tubing operations in the Kirkby (Liverpool) facility and the concentration of residual commercial assets belonging to the KME Group on the English market (laminates, rods and industrial tubing); this agreement also focused on making the best use of non-performing assets, thereby resulting in a gross financial gain of approximately Euro 18 million and a total financial benefit of approximately Euro 33 million.

With regard to the performance of the market, in the first half of the year the demand for **semi-processed goods in copper and copper-alloys for building** continues to be characterised by the fundamental weakness which was evident throughout 2013. The sales volumes for laminates further decreased compared to the levels of last year; 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.

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

Demand for **semi-finished copper and copper-alloy products serving the industrial sector** has been more stable, though not generalised, both for industrial laminates, which are experiencing price pressure, and industrial pipes.

As regards the special product sales, the levels of 2013 have been reached, reflecting the substantial upkeep in economic activities in the main emerging countries, which is improving slightly as far as the rods market is concerned.

Regarding the financial performance of the sector overall, the business and commercial measures have consolidated their positive effects on the cost but were insufficient nevertheless to offset a drop of 6.6% (3% on a like-for-like basis) of net sales of raw materials. The operating profitability in the first half of 2014 has in fact dropped by 18.2% compared to the same period of last year, this also being a consequence of the lower contribution from the optimisation of the usage of the raw material and the lower availability of scrap on the market, with the consequent increase in the cost of scrap, which also influenced the last part of last year; profitability is nevertheless improved compared to the second half of 2013.

Key consolidated results of the copper sector:

(millions of Euro)	***1st half of 2014***	***1st half of 2013***
Revenue	**1,097.5**	**1,240.1**
Revenue (not including raw materials)	**329.0**	**352.4**
EBITDA (gross operating profit)	**30.5**	**37.3**
EBIT (operating profit)	**10.3**	**15.6**
Profit before non-recurring items	**1.3**	**7.7**
Non-recurring income	***32.5***	***2.3***
Effect of IFRS measurement of inventories	***(10.0)***	***(11.0)***
Consolidated profit (loss)	**12.4**	**(8.0)**
Net financial debt	**189.7** ***(30.06.2014)***	**264.0** ***(31.12.2013)***
Equity (*)	**142.3** ***(30.06.2014)***	**132.4** ***(31.12.2013)***

(*) 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** in the first half of 2014 amounted to a total of Euro 1,097.5 million, down by 11.5 % on 2013, when it was Euro 1,240.1 million. This decrease was influenced by the lower average prices for raw materials. Net of the latter costs, revenue decreased from Euro 352.4 million to Euro 329.0 million, down by 6.6 % (3% within the same scope of consolidation).

EBITDA for the first quarter of 2014 was Euro 30.5 million. It is lower than those in 2013, when EBITDA was Euro 37.3 million (-18.2%). The decrease in the cost of labour and in other operating costs confirms 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 the performance bonuses. As described above, the operating profitability of the first half year was affected by the reduction in the margins deriving from the optimisation from usage of raw materials due to the non availability of scrap on the market. The operating profit/revenue ratio for 2014 decreased from 10.6% to 9.3%.

EBIT stood at Euro 10.3 million (Euro 15.6 million in 2013).

The **Profit before non-recurring items** was Euro 1.3 million (Euro 7.7 million in 2013).

The **consolidated profit** of the copper sector was Euro 12.4 million (consolidated loss of Euro 8.0 million in 2013) due to the contribution of the capital gains realised 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** as at 30 June 2014 was Euro 189.7 million, improving with respect to the end of December 2013 (Euro 264.0 million). The lower level of indebtedness is due to the normalisation of the working capital compared to the end of December and approximately Euro 20 million is the result of the net financial effects achieved from the sale of the sanitary tubing operations in Great Britain and the spinoff of the Stolberg plant.

Subsequently to the closure of the half year, contracts were concluded for the extension of the bank contract which is expiring in January 2015, to 31 July 2016, involving a revolving credit line of Euro 505 million. The new financing cost has remained in line with the extended one. Moreover, an agreement was concluded for extension, to 30 June 2016, of the without recourse factoring contracts with GE Factofrance SAS, for credit lines totalling Euro 355 million, and with Mediocredito Italiano SpA, for credit lines totalling Euro 170 million.

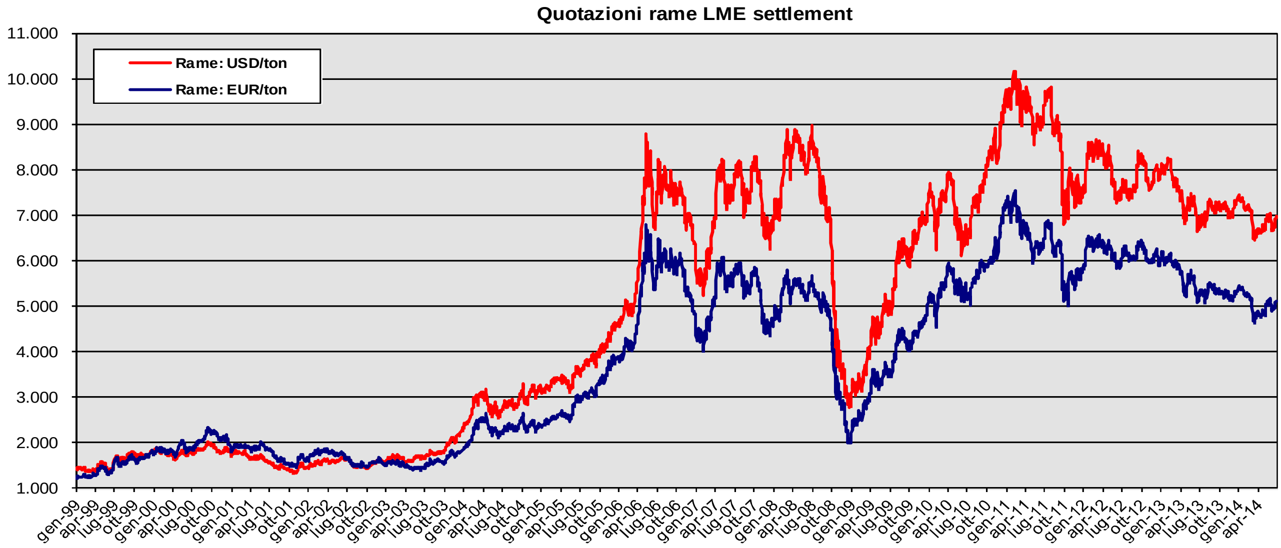
In terms of **business outlook**, the improvements achieved in the cost dynamics, by virtue of the rationalisation measures adopted for organisation and production, made it possible to mitigate the negative effects deriving from a market that continues to be stagnant and far from showing signals of recovery as expected; the outlook for the INTEK Group copper sector in the upcoming months of the year underway are very closely connected both to a significant inversion of the cyclical trend and to a recovery of availability of scrap, the lack of which has caused a drop in the margins in the last quarters.

In the first half of 2014 the **investments** of the segment's production units totalled Euro 9.9 million (Euro 29.9 million in the whole of 2013).

The number of **employees** in the copper sector as at 30 June 2014 was 5,218 (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 **price of copper**, which is the metal most widely used in the production of the Group semi-finished products, decreased by an average of 8.3% in US$ in the first half of 2014 compared to the same period of the previous year (decreasing from US$ 7,540/ton to US$ 6,916/ton) and by 12.0% in Euros (from Euro 5,739 to Euro 5,048). In terms of trend, the average prices of copper in the second quarter of 2014 recorded a decrease, with respect to those of the first quarter of 2014, equal to 3.6% in US$ (from US$ 7,041/ton to US$ 6,787/ton), and 3.7% in Euro (from Euro 5,142 to Euro 4,951).

In July 2014, the average price of copper showed signs of recovery by settling at a monthly average of 7,105 US$ per ton which corresponds to Euro 5,246 per ton.



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Sector of financial and real estate assets

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

In the period under review, the evaluation of such assets and investments in the special situations sectors continued, with the collection by FEB-Ernesto Breda SpA of tax credits worth Euro 8.3 million.

Following is the business performance in the first half of 2014 for the sector in the various business segments.

Private Equity

I2 Capital Partners fund

At the end of July 2012 the investment period ended for the I2 Capital Partners fund (the "Fund"), and so the operations are aimed at disposing the assets held in the portfolio.

As at 30 June 2014 investments had been made for a total of Euro 94.2 million, including disposals. On the same date outstanding investments totalled Euro 12.3 million, almost entirely relating to equity investments. Up until now, the Fund reimbursed the subscribers for shares amounting to a total of Euro 72.8 million.

Insofar as operations in the first half of 2014, positive results were achieved by investee **Benten**, which took over as assignee in the bankruptcy procedure of one of the companies belonging to the Cecchi Gori group in the first half of 2014, and distributed dividends of Euro 1 million to the Fund; it is expected to achieve additional positive results. The operations still to be carried out refer to tax credits of a significant amount and receivables from other companies belonging to the Cecchi Gori group.

The transactions have absorbed resources of the fund in the amount of Euro 1.1 million, which have been fully reimbursed. To date, Benten has earned profits of almost Euro 6 million for 2012 and Euro 0.2 million for 2013.

In execution of the agreements relative to the disposal of the shareholding in **Franco Vago**, made in 2013, part of the price of Euro 5 million was deposited for a period of two years from the closing date in a current escrow account, to cover any payment obligations of the Fund toward the buyer.

The escrow account provided for progressive releases in favour of the Fund: first release on 30 June 2014 (50% of the escrow), second release for the remaining 50% on 15 February 2014 (second anniversary from the closing date).

Following certain claims made by the counterparty against the Fund, the release of the funds in escrow is currently suspended. Negotiations are underway which aim to find a solution to the dispute.

The other main investments of the Fund still in course as at 30 June 2014 are as follows:

- Isno 3 Srl –Festival Crociere Procedure;
- Isno 4 Srl –OP Computers Procedure;
- Nuovi Investimenti SIM SpA;
- Alitalia – Compagnia Aerea Italiana SpA;
- Gruppo Selecta Srl.

Regarding the investments in the **Festival Crociere Procedure**, made through Isno 3 srl, there was nothing new in regards to the main litigation underway with a major French banking group and other defendants.

Regarding the lawsuit against Auxiliaire Maritime (entirely controlled by the Alstom Group), the Genoa Court of Appeal has issued a sentence in favour of Isno 3, by sentencing the counterparty to pay Euro 12 million.

A settlement agreement was recently reached between Isno 3 and Ligabue SA, which provides for payment to Isno 3 of approximately Euro 0.95 million if all the lawsuits initiated are cancelled.

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

Insofar as Isno 4 Srl, a company that operates as the official assignee of the Ivrea based Company **OP Computers SpA**, the expectations are connected to the outcome of a dispute with the tax authorities regarding a significant amount. After the initial two court rulings which were in favour and the ruling dated November 2011 with which the Court of Cassation had remanded the ruling to the Regional Tax Commission; in the initial months of the current year, the latter issued a ruling that partially acknowledges the requests of Isno 4.

The legal actions still to be taken are still in the verification phase and a possible settlement is currently being looked into.

Regarding **Nuovi Investimenti SIM SpA**, we hereby note that financial performance was positive in the first half of 2014, which ended with consolidated profit of Euro 0.6 million. In particular, we underline the good performance of the own account trading activities, with results that exceeded the budget.

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

Regarding the investment in Alitalia-Compagnia Aerea Italiana S.p.A. ("**Alitalia**"), following subscription to the convertible bond issued in February 2013 and the share capital increase which took place in December of the same year, the Fund directly holds 0.95% of the airline company, including following the assignment of shares held by I2 Capital Portfolio, which was recently liquidated.

As is known, during the first half of 2014, negotiations were begun with Etihad Airways aimed at the latter entering into the Italian airline's share capital. At their extraordinary meeting held on 25 July, shareholders of Alitalia met and 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 share capital increase is considered also to be instrumental and in preparation of a series of necessary transactions for realisation of the agreement with Etihad. The I2 Capital Partners Fund does not consider it necessary to subscribe to its own portion of this share capital increase, thus its equity investment will be reduced from 0.95% to a percentage between 0.30% and 0.20% in relation to the share capital increase. The Alitalia shareholders also approved the Financial Statements for 2013 which ended with a loss of Euro 569 million.

The transaction under review provides for the establishment of a newco to be contributed as an Alitalia company unit, not including the tax and statutory litigation. Once the agreement with Etihad is concluded, the United Arab Emirates based company is expected to subscribe to a share capital increase of the newco, obtaining 49% of the latter. Due also to the acquisition of certain assets, Etihad will issue new financial instruments in the newco totalling Euro 560 million.

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

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Special situations

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

In the initial months of 2014 FEB – Ernesto Breda SpA (“FEB”) assigned IRES (Corporate Income Tax) credits representing a refund for a nominal amount of Euro 11,173 thousand. The sale made it possible to generate liquidity of Euro 8,208 thousand with the possibility of further collections up to Euro 618 thousand, depending on the timing of the reimbursements from the Italian Tax Authorities (AGE). The transaction had already provided an economic benefit in 2013 of Euro 1,015 thousand due to the reversal of the impairment loss on the assigned credits.

The liquidation of the portfolio companies Bredafin Innovazione SpA and Breda Energia SpA, for which in 2012 agreements with creditors were executed pursuant to article 214 of the Italian Bankruptcy Law, continued. These companies officially exited from the compulsory administrative liquidation procedure early in 2014. Breda Energia collected tax credits totalling Euro 0.4 million in July 2014.

FEB continued to increase the value of its assets and manage the ongoing litigation. Despite FEB’s efforts to reach an out of-court-settlement, the lawsuit brought by SGA- Società per la Gestione di Attività SpA (SGA) continues to be ongoing.

<u>Former Fime – Isno 2 operations</u>

The collections associated with the former Fime – Isno 2 activities, equal to Euro 0.8 million, continued.

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Real Estate Sector

There is no news worthy of mention regarding the real estate sector, additional to what is reported in the financial statements as at 31 December 2013. During the first half of 2014 work continued to create value from the sale of properties in Varedo (MB) and Borgo Panigale (BO), which are held respectively by the subsidiaries Tecno Servizi Srl and Rede Immobiliare Srl.

On the other hand, the agreement concluded between I2 Real Estate and the Cassa dei Ragionieri [Accountants’ Fund] was extended to 30 September 2014. The object of this agreement consists of prestigious real estate located in Paris and Taormina, offsetting the relative debit and credit positions.

Other activities

The corporate streamlining activity that led to the actual completion of the Inteservice Srl and Tecsinter Srl liquidation continued in the first half of 2014. The liquidation of Progetto Ryan 2 (formerly Meccano Srl) continues. The recovery of the receivables which remain in the portfolio is proceeding with difficulty and therefore the closure of the liquidation process cannot be envisaged at this time.

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With regard to financial management, it is hereby noted that in June 2014 the last installment of Euro 4.7 million for one of the loans in existence with GE Capital was paid. The other loan totalling Euro 5.0 million matures at the end of December 2014 and is guaranteed by a pledge consisting of certain equity investments held by INTEK Group.

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Cobra AT

Through the investment in the listed Company ***Cobra AT***, the Intek Group has expanded its business through one of the main European operators in the sector of integrated services for the management of the risks associated with the possession, ownership and use of vehicles through the use of IT and satellite technology.

In July 2014, in execution of the commitment to participate in **Vodafone's** voluntary take-over bid of all Cobra Automotive Technologies SpA (Cobra") shares (made pursuant to the framework agreement concluded with the bidder, which was disclosed to the market on 16 June 2014), KME Partecipazioni, which is entirely controlled by INTEK Group, contributed all of the 49,891,560 ordinary Cobra shares held, which equal 51.402% of Cobra's share capital, against a total amount of Euro 74.3 million (calculated on the basis of the bid price of Euro 1.49 per share).

On 1 August 2014, all the terms and conditions set forth in the offer document had been fulfilled. The execution of a transaction is therefore only subject to verification by Vodafone, on the day preceding the payment date that the ordinary operations of the company are correct as at the agreement signature date. Currently, there are no elements that could compromise the regular execution of the contract.

KME Partecipazioni has issued a bank surety of Euro 5.1 million, the duration of which is 3 years. It can be extended under specific circumstances for an additional 2 years, in guarantee of the indemnification obligation in the framework agreement, which enters into effect on the payment date.

The settlement of the transaction is set for 8 August 2014, with payment of the consideration and transfer of the securities which constitute the subject of the Public Offer.

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

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ErgyCapital

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

During the first half of 2014, the ErgyCapital reported consolidated revenue amounting to Euro 8.7 million, slightly down with respect to the first half of 2013 (Euro 8.9 million).

The consolidated **EBITDA** for the first hal of 2014 is positive by Euro 4.2 million, which is essentially in line with the results for the first half of 2013 (Euro 4.3 million).

For the period, there was a consolidated loss of Euro 1.6 million (as compared to negative Euro 0.8 million in the first half of 2013); the increase is mainly attributable to non-recurring items related to the Mistral International S.A. arbitral award.

The net financial debt was Euro 74.4 million, this being a marginal increase (Euro 73.7 million as at 31 December 2013) due exclusively to the negative change in the fair value of the hedging contracts on interest rates.

The Directors of ErgyCapital examined the effects of Legislative Decree 91/2014 (the "incentive spread" law) on the Group. This law changes the incentive rates of previous Energy Accounts of the photovoltaic sector; the analysis was carried out based on currently available information and did not show any need to make amendments to the carrying amounts of the photovoltaic sector.

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

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The investments in Cobra AT and ErgyCapital are recognised in the consolidated financial statements of the INTEK Group, which are prepared in compliance with the IFRS according to the equity method. The investment in Cobra AT is recognised in the consolidated financial statements at 30 June 2014 among non-current assets held for sale.

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Group results

In reference to Group results, it is noted that Cobra AT and ErgyCapital are consolidated using the equity method.

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

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Alternative performance indicators

EBITDA
This indicator represents a useful measure to assess the Group's operating performance and is an intermediate economic measure which derives from EBIT excluding amortisation and depreciation of 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 policies which are different from the IFRS, mainly in terms of measurement and presentation. Here below are the main elements:

1. *in order to eliminate the impact of fluctuations in raw material prices, revenue is also presented net of raw material costs.*
2. *the cost of the base-inventory 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. Inventories that will be sold, on the other hand, are measured at their contractual selling prices, which are deemed to be their realisable value. Under IFRS, on the other hand, inventories are required to be measured at the lower of purchase cost on a FIFO basis and net realisable value. IFRS also require forward sales and purchase contracts as well as hedging contracts traded on the LME to be separately identified and reported in the financial statements at their fair values, as if they were financial instruments. By not permitting the LIFO measurement of year-end inventories that is used internally for management control purposes, IFRS introduced an exogenous factor, the variability of which*

makes it impossible to compare homogeneous data for different periods that would give an accurate picture of the results of operations.

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

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

Reclassified Consolidated Income Statement

(millions of Euro)	*1st half 2014 IFRS*		*Reclassi-fications*	*Adjustments*	*1st half 2014 Reclassified*	
Gross revenue	1,097.53	**100.0%**	-	-	1,097.53	
Raw material costs	-		(768.60)	-	(768.60)	
Revenue net of raw material costs	**-**				**328.93**	**100.0%**
Personnel expense	(148.88)		1.40	-	(147.48)	
Other consumables and costs	(896.01)		731.50	10.00	(154.51)	
EBITDA (*)	**52.64**	**4.8%**	**(35.70)**	**10.00**	**26.94**	**8.2%**
Amortisation and depreciation	(19.04)		(1.30)	-	(20.34)	
EBIT	**33.60**	**3.1%**	**(37.00)**	**10.00**	**6.60**	**2.0%**
Net financial expense	(7.84)		4.50	-	(3.34)	
Profit before non-recurring items	**25.76**	**2.3%**	**(32.50)**	**10.00**	**3.26**	**1.0%**
Non-recurring income (expense)	-		32.50	-	32.50	
Effect of IFRS measurement of inventories and financial instruments	-		-	(10.00)	(10.00)	
Taxes on IFRS measurement of inventories and financial instruments	-		-	2.00	2.00	
Current taxes	(10.42)		-	-	(10.42)	
Deferred taxes	(0.77)		-	(2.00)	(2.77)	
Profit after taxes (IFRS inventory measurement)	**14.57**	**1.3%**	**(0.00)**	**-**	**14.57**	**4.4%**
Share of profit of equity-accounted investees	0.96		-	-	0.96	
Profit /(loss) from discontinued operations	-		-	-	-	
Profit for the period	**15.53**	**1.4%**	**(0.00)**	**-**	**15.53**	**4.7%**
Profit attributable to non-controlling interests	0.10		-	-	0.10	
Profit attributable to owners of the parent	**15.43**	**1.4%**	**(0.00)**	**-**	**15.43**	**4.7%**

The table below briefly shows the consolidated profit/(loss) of the Group in the first half of 2014, compared with those of the first half of 2013.

Reclassified Consolidated Income Statement				
(millions of Euro)	*1st half 2014 Reclassified*		*1st half 2013 Reclassified*	
Gross revenue	1,097.53		1,240.10	
Raw material costs	(768.60)		(887.70)	
Revenue net of raw material costs	**328.93**	**100.0%**	**352.40**	**100.0%**
Personnel expense	(147.48)		(152.40)	
Other consumables and costs	(154.51)		(165.20)	
EBITDA (*)	**26.94**	**8.2%**	**34.80**	**9.9%**
Amortisation and depreciation	(20.34)		(22.50)	
EBIT	**6.60**	**2.0%**	**12.30**	**3.5%**
Net financial expense	(3.34)		(8.00)	
Profit before non-recurring items	**3.26**	**1.0%**	**4.30**	**1.2%**
Non-recurring income (expense)	32.50		(2.30)	
Effect of IFRS measurement of inventories and financial instruments	(10.00)		(11.10)	
Taxes on IFRS measurement of inventories and financial instruments	2.00		3.50	
Current taxes	(10.42)		(9.33)	
Deferred taxes	(2.77)		4.03	
Profit/(loss) after taxes (IFRS inventory measurement)	**14.57**	**4.4%**	**(10.90)**	**-3.1%**
Share of profit/(loss) of equity-accounted investees	0.96		(1.00)	
Profit /(loss) from discontinued operations	-		-	
Profit (loss) for the period	**15.53**	**4.7%**	**(11.90)**	**-3.4%**
Profit attributable to non-controlling interests	0.10		0.10	
Profit attributable to owners of the parent	**15.43**	**4.7%**	**(12.00)**	**-3.4%**

The non-recurring income includes the results of the agreements for the Chinese joint venture and the sales of the UK sanitary tubing operation.

In reference to the **statement of financial position**, consolidated equity can be summarised as follows:

Consolidated equity		
(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Share capital	314,225	314,225
Reserves	(45,445)	(19,742)
Profit/ (Loss) for the period	15,424	(26,920)
Equity attributable to owners of the Parent	**284,204**	**267,563**
Equity attributable to non-controlling interests	6,363	6,623
Total equity	**290,567**	**274,186**

The Group's **financial debt** as at 30 June 2014 was equal to Euro 288.8 million, improved considerably with respect to figures at the end of 2013 (Euro 367.3 million), also thanks to the sale of the sanitary tubing segment in the UK. The conclusion of the Cobra sale will secure additional resources for the Group. The short term financial payables also include the copper sector pool loans, the renewal of which was agreed for the end of July 2016 after the end of the half year.

Reclassified consolidated net financial debt			
(in thousands of Euro)		*30 Jun. 2014*	*31 Dec. 2013*
Current loans and borrowing		357,268	337,946
Non-current loans and borrowing		54,079	96,869
Loans and borrowing due to Group companies		5,544	4,986
(A) Financial liabilities	**(A)**	**416,891**	**439,801**
Cash and cash equivalents		(80,733)	(41,795)
Current loan assets		(82,897)	(66,141)
Loan assets due from Group companies		(10,878)	(10,915)
(B) Cash and current financial assets	**(B)**	**(174,508)**	**(118,851)**
Fair value of LME and metals forward contracts		(8,453)	(8,121)
Fair value of other financial instruments		317	635
(C) Financial instruments measured at fair value	**(C)**	**(8,136)**	**(7,486)**
(D) Consolidated net financial debt prior to securities in circulation	**(A) + (B) + (C)**	**234,247**	**313,464**
(E) Debt securities in circulation (net of interest)		**57,909**	**57,595**
(F) Consolidated net financial debt	**(D) + (E)**	**292,156**	**371,059**
(G) Non-current financial assets		**(3,367)**	**(3,770)**
(H) Total net financial debt	**(F) + (G)**	**288,789**	**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 loans and borrowings reduced by cash and cash equivalents and loans assets.

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

Statement of cash flows - indirect method			
(in thousands of Euro)		*1st half 2014*	*1st half 2013*
(A) Cash and cash equivalents at the beginning of the year		**41,795**	**65,813**
Profit (loss) before tax		26,713	(10,186)
Amortisation and depreciation of intangible assets and property, plant and equipment		20,235	23,559
Impairment losses on current assets		1,274	464
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		442	(1,133)
Impairment losses (reversal of impairment losses) on current and non-current financial assets		1,875	(460)
Capital losses/(gains) on non-current assets		(23,189)	300
Changes in provision for pensions, post-employment benefits and stock options		17	(764)
Changes in provisions for risks and charges		18,969	(9,722)
Decrease (increase) in inventories		50,930	36,114
Share of loss/(profit) of equity-accounted investee		(961)	961
(increase) / decrease in current receivables		(28,851)	(24,978)
Increase / (decrease) in current payables		67,840	70,036
Changes from currency translation		(325)	(954)
Decrease / (increase) in LME and currency forward contracts		(2,488)	(14,048)
Taxes paid during year		(10,412)	(8,781)
(B) Total Cash flows from operating activities		**122,069**	**60,408**
(Increase) in non-current intangible assets and property, plant and equipment		(9,981)	(7,590)
Decrease in non-current intangible assets and property, plant and equipment		27,166	250
(increase) decrease in investments		(49,885)	(9)
Increase/decrease in other non-current assets/liabilities		(2,217)	297
Dividends received		-	2
(C) Cash flows used in investing activities		**(34,917)**	**(7,050)**
Equity cash variations		-	-
(Purchase) sale of treasury shares and similar shares		360	-
Increase/ (Decrease) in current and non-current loans and borrowings		(18,940)	(482)
(Increase)/ Decrease in current and non-current loans and borrowings		(27,370)	(18,895)
Dividends paid and profits distributed		-	(430)
(D) Cash flows used in financing activities		**(45,950)**	**(19,807)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**41,202**	**33,551**
(F) Change in scope of consolidation		**(2,264)**	**-**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**80,733**	**99,364**

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.

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

Net consolidated invested capital		
(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Net non-current assets	841,047	818,955
Net working capital	62,105	128,566
Provisions	(323,796)	(306,046)
Net invested capital	**579,356**	**641,475**
Total equity	290,567	274,186
Net financial debt	288,789	367,289
Source of funds	**579,356**	**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 "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".*

Update in matters of governance

In line with the previous years, in the Interim Financial Report at 30 June 2014, the Company had deemed it expedient to update the information in matters of corporate governance provided in the financial statements as at 31 December 2013.

On occasion of the Shareholders' Meeting of 11 June 2014, where the shareholders approved the financial statements as at and for the year ended 31 December 2013, Mr. Salvatore Bragantini was appointed Director, upon expiration of the office of Mr. Ruggero Magnoni who was coopted by the Board of Directors on 14 May 2013 to replace Mr. Giancarlo Losi and who remained in office until the first Shareholders' Meeting which was held on 11 June 2014.

The appointment of the Director Salvatore Bragantini, who will remain in office until the shareholders' meeting that will be called to approve the financial statements at 31 December 2014, was proposed by Quattroduedue SpA, the shareholder of 45.749% of the company's ordinary share capital. His resume is available on the website www.itkgroup.it.

On 11 June 2014, there was an extraordinary shareholders' meeting at which, among other things, made the shareholders' resolutions concerning the proposal to modify certain articles of the Articles of Association, made necessary mainly on account of regulatory adjustments connected to gender quotas, as required by Law 120 of 12 July 2011, and the regulations issued by Consob.

In the first half of the year, the Company acquired a new supervisory body pursuant to Legislative Decree 231/2001, composed of 2 external professionals and it also approved the updated version of the relative model, including the code of conduct.

Finally, it is noted that within the scope of the proxy granted to the Directors for the acquisition of treasury shares, no transactions were conducted during the period considered.

Other information:

Parent and shareholding structure

The company is controlled by Quattroduedue Holding BV which is based in Amsterdam (Holland), Kabelweg 37, through Quattroduedue SpA, a wholly owned subsidiary of the aforementioned Quattroduedue Holding BV. At 30 June 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 shareholding structure, governance of the Company and all other obligations, reference should be made to the specific report prepared for 2013 pursuant to art. 123 bis of Leg.Decree 58/98, which is attached to the financial statements.

Related parties 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.

The INTEK Group is the recipient of a loan from the holding company Quattroduedue SpA (originally with Quattroduedue Holding BV). The loan is repaid on the basis of Euribor plus a 100 basis point spread. At 30 June 2014 the balance on this loan was Euro 1,178 thousand. Quattroduedue SpA guaranteed, with 41,500,000 of the INTEK Group shares that it owned, a Euro 4,667 thousand loan provided by GE Capital to the INTEK Group itself and repaid on 30 June 2014. Commissions of Euro 30 thousand, pertaining to this guarantee, fell due in the first half of 2014.

The breakdown of transactions with subsidiaries and parent companies is in the Notes to the condensed interim consolidated financial statements.

Pending litigation

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 IMI and Boliden. At the beginning of July 2014 all the parties to the lawsuit submitted to the High Court of Justice a request for the case to be archived, following the settlement of the dispute between the parties themselves.

There are no significant modifications concerning the ongoing dispute mentioned in the financial statements at 31 December 2013, which you are referred to.

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Staff

The INTEK Group employees as at 30 June 2014 numbered 13, of which 3 were executives and 10 white-collar staff.

The number of employees in the copper sector as at 30 June 2014 was 5,235 (5,850 persons at the as at 31 December 2013); the reduction was affected by the deconsolidation of the English operations and the German plant at Stolberg, involving approximately 390 persons.

The average number, compared with the first half of 2013, was as follows:

	1st half 2014	*1st half 2013*
Blue-collar	3,932	4,260
Executives and white-collar	1,519	1,641
Total	**5,451**	**5,901**

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Treasury shares

As at 30 June 2014, the Company held 5,059,746 ordinary treasury shares (totalling 1.475% of the shares in 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 for this category).

In addition, it is noted that at 30 June 2014 the wholly owned subsidiary KME Partecipazioni held 2,512,024 INTEK Group savings shares, 5.013% of the relevant share capital.

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

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

- With regard to the provisions of art. 36, the INTEK Group does not hold significant investments, pursuant to art. 151 of Consob Issuers' Regulation, in non-EU Countries;
- the Company, although a subsidiary of Quattroduedue Holding BV, considers itself to be not subject to management and coordination activities, as provided for by articles 2497 et seq. of the Italian Civil Code as well as art. 37 of the Market Regulation, in so far that:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any centralised treasury arrangements with Quattroduedue Holding BV or with its subsidiaries;
  - the number of independent Directors (5 out of 10) is such as to ensure that their opinions have a material influence on board decisions;
- with regard to the provisions of art. 38, the Company does not fall within the scope of application in so far that its business purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

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

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Risk Management

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

Events after the reporting period

There were no events after the reporting period that need to be highlighted beyond those already set out above.

INTEK GROUP

Condensed Interim Consolidated Financial Statements at 30 June 2014

Intek Group – Condensed Interim Consolidated Financial Statements at 30 June 2014

Statement of financial position – Assets

(in thousands of Euro)	*Note*	*30 June 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Property, plant and equipment	*4.1*	510,965		540,426	
Investment property	*4.2*	80,840		80,665	
Goodwill	*4.3*	125,801		125,801	
Intangible assets	*4.4*	2,236		2,569	
Investments in subsidiaries and associates	*4.5*	15,305	*15,305*	11,940	*11,940*
Investments in other companies	*4.5*	270	*270*	270	*270*
Investments in equity-accounted investees	*4.5*	87,819	*87,819*	38,601	*38,601*
Other non-current assets	*4.6*	6,075		6,252	
Non-current financial assets	*4.7*	15,102	*175*	16,201	*175*
Deferred tax assets	*4.22*	54,766		67,951	
Total non-current assets		**899,179**		**890,676**	
Inventories	*4.8*	443,889		525,593	
Trade receivables	*4.9*	157,962	*35,796*	123,762	*6,406*
Other current receivables and assets	*4.10*	47,303	*10*	57,581	
Current financial assets	*4.11*	127,200	*10,878*	101,270	*10,915*
Cash and cash equivalents	*4.12*	80,733		41,795	
Total current assets		**857,087**		**850,001**	
Non-current assets held for sale	*4.13*	34,720		7,795	
Total assets		**1,790,986**		**1,748,472**	

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

Intek Group – Condensed Interim Consolidated Financial Statements at 30 June 2014

Statement of financial position – Liabilities

(in thousands of Euro)	*Note*	*30 June 2014*	*of which related parties*	*31 Dec. 2013*	*of which related parties*
Share capital		314,225		314,225	
Reserves		130,328		130,368	
Treasury shares	*2.11*	(3,638)		(3,998)	
Retained earnings		53,648		53,806	
Convertible loan	*2.11*	20,844		20,844	
Consolidation reserves	*4.14*	(188,306)		(165,329)	
Reserve of Other comprehensive income	*4.14*	(58,321)		(55,433)	
Profit(loss) for the period		15,424		(26,920)	
Equity attributable to owners of the Parent	***2.11***	**284,204**		**267,563**	
Non-controlling interests		6,363		6,623	
Total equity	*2.11*	**290,567**		**274,186**	
Employee benefits	*4.15*	231,234		234,664	
Deferred tax liabilities	*4.22*	90,488		101,012	
Non-current loans and borrowings	*4.16*	111,988		154,464	
Other non-current liabilities	*4.17*	9,745		12,139	
Provisions for risks and charges	*4.18*	56,840		24,422	
Total non-current liabilities		**500,295**		**526,701**	
Current loans and borrowings	*4.19*	374,783	*5,544*	351,220	*4,986*
Trade payables	*4.20*	509,229	*1,666*	481,431	*348*
Other current liabilities	*4.21*	116,112	*2,437*	101,035	*2,878*
Provisions for risks and charges	*4.18*	-		13,899	
Total current liabilities		**1,000,124**		**947,585**	
Total liabilities and equity		**1,790,986**		**1,748,472**	

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

Intek Group – Condensed Interim Consolidated Financial Statements at 30 June 2014

Statement of comprehensive income

(in thousands of Euro)	*Note*	*1st half 2014*	*of which related parties*	*1st half 2013*	*of which related parties*
Revenue from sales and services	*5.1*	1,097,534	*65,165*	1,240,117	*5,416*
Change in inventories of finished and semi-finished products		1,230		3,576	
Internal work capitalised		647		647	
Other operating income	*5.3*	55,346	*682*	11,919	*(149)*
Purchases and change in raw materials	*5.2*	(811,714)	*(20,987)*	(931,666)	*(50)*
Personnel expense	*5.4*	(148,875)	*(26)*	(155,339)	*(148)*
Amortisation, depreciation and impairment loss	*5.5*	(19,036)		(22,726)	
Other operating costs	*5.6*	(141,543)	*(1,768)*	(147,314)	*(1,478)*
Operating profit/(loss)		**33,589**		**(786)**	
Financial income	*5.7*	9,358	*301*	3,727	*355*
Financial expense	*5.7*	(17,195)	*(702)*	(12,166)	*(16)*
Share of profit/(loss) of equity-accounted investees	*5.8*	961	*961*	(961)	*(961)*
Profit/(loss) before taxes		**26,713**		**(10,186)**	
Current taxes	*5.9*	(10,419)		(9,332)	
Deferred taxes	*5.9*	(766)		7,526	
Total income taxes		**(11,185)**		**(1,806)**	
Profit/ (Loss) from continuing operations		**15,528**		**(11,992)**	
Profit /(loss) from discontinued operations	*5.10*	-		-	-
Profit/(loss) for the period		**15,528**		**(11,992)**	
Other comprehensive income:					
Employee defined benefit plans		*2,111*		*(621)*	
Tax on other comprehensive income		-		328	
Items that will not be reclassified to profit or loss		2,111		(293)	
Exchange rate gains/ (losses)		(373)		758	
Net change in hedging reserve		(660)		976	
Other		-		-	
Taxes on components of other comprehensive income		(4,069)		(307)	
Items that will be reclassified to profit or loss		(5,102)		1,427	
Other comprehensive income, net of tax effect:		(2,991)		1,134	
Total comprehensive income/(expense) for the period		**12,537**		**(10,858)**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		104		88	
- owners of the parent		15,424		(12,080)	
Profit/(loss) for the period		15,528		(11,992)	
Total comprehensive income/(expense) attributable to:					
- non-controlling interests		2		126	
- owners of the parent		12,535		(10,984)	
Total comprehensive income/(expense) for the period		12,537		(10,858)	

Earnings per share (in Euro)		
Basic earnings (losses) per share	0.0404	(0.0442)
Diluted earnings (losses) per share	0.0372	(0.0442)

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

Statement of changes in equity as at 30 June 2013

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Reserve for other comprehensive income*	*Profit/ (Loss) for the period*	*Total equity attributable to owners of the parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as 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	-	-	-
Deferred taxes on equity items	-	(67)	-	-	-	-	-	-	(67)	-	(67)
Expiry of stock options	-	148	-	-	-	-	-	-	148	-	148
Other changes	-	-	-	-	-	280	-	-	280	(335)	(55)
Total comprehensive income	-	-	-	-	-	-	1,096	-	1,096	38	1,134
Profit/(loss) for the period	-	-	-	-	-	-	-	(12,080)	(12,080)	88	(11,992)
Total comprehensive income/(expense)	-	-	-	-	-	-	1,096	(12,080)	(10,984)	126	(10,858)
Equity as at 30 June 2013	**314,225**	**129,191**	**(3,998)**	**53,806**	**24,000**	**(165,049)**	**(54,760)**	**(12,080)**	**285,335**	**6,534**	**291,869**
Reclassification of treasury shares	(3,998)	-	3,998	-	-	-	-	-	-	-	-
Equity as at 30 June 2013	**310,227**	**129,191**	**-**	**53,806**	**24,000**	**(165,049)**	**(54,760)**	**(12,080)**	**285,335**	**6,534**	**291,869**

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

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

Statement of changes in equity as at 31 December 2013

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Reserve for other comprehensive income*	*Profit/ (Loss) for the period*	*Total equity attributable to owners of the parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as 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 period	-	-	-	-	-	-	-	(26,920)	(26,920)	382	(26,538)
Total comprehensive income/(expense)	-	-	-	-	-	-	423	(26,920)	(26,497)	128	(26,369)
Equity as 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 as at 31 December 2013	**310,227**	**130,368**	**-**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**

As at 31 December 2013 the Parent directly held 978,543 savings shares and 6,230,691 ordinary shares without par value. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently reclassified as a reduction of the share capital.

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

Statement of changes in equity as at 30 June 2014

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit/ (Loss) of previous years*	*Convertible loan*	*Consolidation reserves*	*Reserve for other comprehensive income*	*Profit/ (Loss) for the period*	*Total equity attributable to owners of the parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as 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	-	-	-
Disposals of treasury shares	-	-	360	-	-	-	-	-	360	-	360
Deferred taxes on equity items	-	(66)	-	-	-	-	-	-	(66)	-	(66)
Expiry of stock options	-	26	-	-	-	-	-	-	26	-	26
Other changes	-	-	-	-	-	3,785	-	-	3,785	(262)	3,523
Total comprehensive income	-	-	-	-	-	-	(2,888)	-	(2,888)	(102)	(2,990)
Profit/(loss) for the period	-	-	-	-	-	-	-	15,424	15,424	104	15,528
Total comprehensive income/(expense)	-	-	-	-	-	-	(2,888)	15,424	12,536	2	12,538
Equity as at 30 June 2014	**314,225**	**130,328**	**(3,638)**	**53,648**	**20,844**	**(188,306)**	**(58,321)**	**15,424**	**284,204**	**6,363**	**290,567**
Reclassification of treasury shares	(3,638)	-	3,638	-	-	-	-	-	-	-	-
Equity as at 30 June 2014	**310,587**	**130,328**	**-**	**53,648**	**20,844**	**(188,306)**	**(58,321)**	**15,424**	**284,204**	**6,363**	**290,567**

As at 30 June 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 condensed interim consolidated financial statements

(*) Euro 3,740 thousand of which deriving from changes in equity of the investee Cobra AT.

Intek Group – Condensed Interim Consolidated Financial Statements at 30 June 2014

Statement of cash flows - indirect method

(in thousands of Euro)		*1st half 2014*	*1st half 2013*
(A) Cash and cash equivalents at the beginning of the year		**41,795**	**65,813**
Profit (loss) before tax		26,713	(10,186)
Amortisation and depreciation of intangible assets and property, plant and equipment		20,235	23,559
Impairment losses on current assets		1,274	464
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		442	(1,133)
Impairment losses (reversal of impairment losses) on current and non-current financial assets		1,875	(460)
Capital losses/(gains) on non-current assets		(23,189)	300
Changes in provision for pensions, post-employment benefits and stock options		17	(764)
Changes in provisions for risks and charges		18,969	(9,722)
Decrease (increase) in inventories		50,930	36,114
Share of loss/(profit) of equity-accounted investee		(961)	961
(increase) / decrease in current receivables		(28,851)	(24,978)
Increase / (decrease) in current payables		67,840	70,036
Changes from currency translation		(325)	(954)
Decrease / (increase) in LME and currency forward contracts		(2,488)	(14,048)
Taxes paid during year		(10,412)	(8,781)
(B) Total Cash flows from operating activities		**122,069**	**60,408**
(Increase) in non-current intangible assets and property, plant and equipment		(9,981)	(7,590)
Decrease in non-current intangible assets and property, plant and equipment		27,166	250
(increase) decrease in investments		(49,885)	(9)
Increase/decrease in other non-current assets/liabilities		(2,217)	297
Dividends received		-	2
(C) Cash flows used in investing activities		**(34,917)**	**(7,050)**
Equity cash variations		-	-
(Purchase) sale of treasury shares and similar shares		360	-
Increase/ (Decrease) in current and non-current loans and borrowings		(18,940)	(482)
(Increase)/ Decrease in current and non-current loan assets		(27,370)	(18,895)
Dividends paid and profits distributed		-	(430)
(D) Cash flows used in financing activities		**(45,950)**	**(19,807)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**41,202**	**33,551**
(F) Change in consolidation scope		**(2,264)**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**80,733**	**99,364**

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

Positions or transactions with related parties are not separately recognised 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 – Condensed Interim Consolidated Financial Statements at 30 June 2014

Notes

1. *General information*

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

Following the sale of the latter in the second half of 2014, the operations in the renewable energy sector will be included in the finance sector.

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) organised and managed by Borsa Italiana SpA.

The Board of Directors approved the condensed interim consolidated financial statements at 30 June 2014 on 5 August 2014 and authorised its publication by means of a press release.

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

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

2. *Accounting policies*

2.1. Basis of presentation

The condensed interim consolidated financial statements as at and for the period ended 30 June 2014 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998 and were prepared in compliance with 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 set forth in article 6 of Regulation (EC) 1606/2002 of the European Parliament and European Council dated 19 July 2002 and with requirements in implementation of article 9 of Legislative Decree 38/2005 where applicable. In particular the condensed interim consolidated financial statements at 30 June 2014 were prepared pursuant to IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements at 30 June 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 by the Notes thereto.

The statement of financial position has been prepared by distinctly classifying the current and non-current assets and the current and non-current liabilities.

The Group has opted for presentation of a single statement of income in which the items of revenue and cost recognised during the reporting period are presented, including the financial expense, the portion of the profit (loss) of equity-accounted investees, the tax expenses, and a single amount relative to the total discontinued operations. Other comprehensive income comprises the items which, upon the specific indication of the individual IFRS, are recognised separately from the profit (loss) of the current reporting period. These items are divided into two categories as follows:

- those which will not be subsequently reclassified to profit or loss for the period;
- those that will be subsequently reclassified to profit or loss, when specific conditions are fulfilled.

The amount attributable to the owners of the controlling parent as well as the amount attributable to non-controlling interests is given for the results of the reporting period and the current period.

The method used for the presentation of cash flows within the statement of cash flows is the indirect method, according to which the profit (loss) for the year is adjusted by the effects of:

- changes in inventories, receivables, and payables generated by operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flow from or used in investing or financing activities.

In statement of cash flow, for changes in the consolidation scope, the changes in the assets were considered on the basis of the first consolidation date.

In accordance with IAS 34, the Notes are reported concisely and do not include all the information required in the annual financial statements, referring solely to those items that, due to the amount, composition, or changes, are essential for the purpose of representing the Group's financial position and results of operation. These financial statements must therefore be read together with the 2013 Consolidated Financial Statements.

The accounting standards adopted for the preparation of the condensed interim consolidated financial statements are conformant to those used for the Group's annual financial statements at 31 December 2013, and include the standards and interpretations endorsed by the European Union, which are applicable from 1 January 2014:

- Amendments to IAS 32 "Financial Instruments: Presentation", which require disclosure of offsetting rights and the relative agreements (e.g. guarantees).
- IFRS 10 "Consolidated Financial statements" The new standard supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 introduces a new control model, applicable to all investees, based on the power exercised by the Group on these entities, the exposure or the rights to variable returns deriving from the Group's involvement with these entities and the ability of the Group itself to exercise its own power to influence the aforementioned variable returns.
- IFRS 11 "Joint arrangements". The new standard, which supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers", establishes the accounting reporting standards for entities that are parties to joint arrangements. This standard provides for classification of joint control agreements a joint operation, if the Group holds rights over the assets and has obligations insofar as the liabilities relative to these agreements, or as a joint venture if the Group only holds rights over the net assets of the agreement. This assessment must be made considering the structure of the agreements, the legal form of any separate vehicles, the contractual conditions of the agreement and other facts and circumstances.
- IFRS 12 "Disclosure of Interests in Other Entities" combines, reinforces, and supersedes the disclosure obligations for subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- Following the introduction of the standards above, IAS 27 enters into effect and is retitled "Separate Financial Statements." It covers only the preparation of separate financial statements and amendments to IAS 28 "Investments in Associates and Joint Ventures."

- Amendments to IAS 36 “Impairment of Assets” to change the disclosure obligations for recoverable amounts if those recoverable amounts are based on fair value less cost of disposal and in the cases in which an impairment loss is recognised.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement” to regulate the maintenance of hedge accounting for novation of derivative instruments following amendments to laws or regulations.

The new standards to apply had no effect on the recognition pertaining to these condensed interim consolidated financial statements.

In preparing these condensed interim consolidated financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements as at and for the year ended 31 December 2013.

These new standards include that relating to *Investment Entities (amendments to IFRS 10, IFRS 12, and IAS 27),* which allows investment entities, under certain conditions, to measure investments at fair value, rather than proceeding with their consolidation based on the concept of control. The Group’s activities, which are more and more oriented toward dynamic management of investments , including investments in which a controlling interest is held, have similarities to the descriptions in the new standard. Assessments are underway, as are adjustments of organisational aspects, in order to implement this standards where possible.

The Group has not yet applied the accounting standards which are listed below in paragraph 2.24 and which, although already issued by the IASB, become effective after the date of these condensed interim consolidated financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

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

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

2.2. Basis of consolidation

(a) Subsidiaries

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

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

The assets and liabilities, income and expenses of the subsidiaries consolidated on a line-by-line basis are recognised in the condensed interim consolidated financial statements at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognised as “goodwill and goodwill arising on consolidation” and in the statement of comprehensive income, if negative. The portion of equity and profit attributable to non-controlling interests is recognised under the relevant items. After initial recognition, “goodwill” is measured at cost less accumulated impairment losses as required by IAS 36 - Impairment of Assets.

Non-significant subsidiaries and companies the consolidation of which does not produce significant effects are not included in the scope of consolidation. These are generally companies with operations consisting entirely of sales. Excluding such companies has no material effect on the Group's financial statements and will have no influence on the business decisions of the financial statements' users.

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

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

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

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

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

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

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

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

Name	Registered office	Currency	Share/Quota capital	Activity	% ownership direct	% ownership indirect
Intek Group SpA	Italy	Euro	314,225,010	Holding	Parent	
KME A.G.	Germany	Euro	142,743,879	Holding	100.00%	
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	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 Srl	Italy	Euro	115,000	Commercial		100.00%
Fricke GmbH	Germany	Euro	50,000	EUR Copper and alloys		100.00%
GreenRecycle Srl	Italy	Euro	500,000	Trading of metals		100.00%
Immobiliare Agricola Limestre Srl	Italy	Euro	110,000	Business		100.00%
Kabelmetal Messing Beteiligungsges mbH Berlin	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 Bet. GmbH	Germany	Euro	1,043,035	Finance	100.00%	
KME Germany GmbH & Co. KG	Germany	Euro	180,500,000	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	103,839,000	EUR Copper and alloys		100.00%
KME Moulds Mexico SA de C.V.	Mexico	MXN	7,642,237	Commercial		100.00%
KME Moulds Service Australia Pty Limited	Australia	AUD	100	Commercial		65.00%
KME Recycle Srl	Italy	Euro	2,000,000	Finance		100.00%
KME Service Russland Ltd	Russia	RUB	10,000	Commercial		70.00%
KME Spain SA	Spain	Euro	92,446	Commercial		100.00%
KME Srl	Italy	Euro	115,000	Services		100.00%
KME Verwaltungs und Dienst. mit beschr.	Germany	Euro	10,225,838	non operative		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 operative		100.00%
Yorkshire Copper Tube (Exports) Ltd.	Great Britain	GBP	-	non operative		100.00%
KME Partecipazioni SpA	Italy	Euro	47,900,000	Holding	100.00%	
FEB - Ernesto Breda SpA	Italy	Euro	577,671	Holding	86.41%	
I2 Capital Partners Sgr SpA	Italy	Euro	1,500,000	Management of investment funds.	100.00%	
I2 Real Estate Srl	Italy	Euro	110,000	Business	100.00%	
Idra International SA	Luxembourg	Euro	50,569,400	Holding	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%

There was a change in the consolidation scope, 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 (GD).

The agreement signed entailed the acquisition by KME Group of the German facility in Stolberg, which was historically dedicated to this type of production, equipment from production facilities which are no longer used, and the know how of the Group in this segment. 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.

The liquidation of Tecsinter Srl was also completed.

(b) Associates

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

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

(c) Joint ventures

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

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

2.3. Foreign currency transactions

(a) Functional and presentation currency

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

(b) Foreign currency translation

Financial statements in currencies other than the Euro are translated using the average exchange rates for the period for 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 end of the reporting period:

	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
30 June 2014 - used for translation of the statement of financial position	0.8015	8.4722	17.7124	1.4537	46.3779
2014 average - used for translation of the statement of comprehensive income	0.8217	8.4246	17.9841	1.5002	48.0406

The difference between the profit for the period resulting from translation using the average rates for the period and that which results from the translation using the rates at end June, is recognised in the consolidation reserves (Group 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 recognised in profit or loss together with any other gains or losses relating to the disposal of the relevant investment.

2.4. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recognised at purchase or production cost, including direct accessory costs, and are shown net of accumulated depreciation and any impairment 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 possible that future measureable economic benefits will arise from them. Borrowing costs relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

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

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

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

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

Depreciation is charged based on the following useful lives:

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

Assets under finance leases

Leases are arrangements by which the lessor transfers the right to use an asset for an agreed period of time to the lessee in exchange for payment or a series of payments. Lease arrangements that essentially transfer all risks and rewards deriving from ownership of the asset are defined as "finance leases" even if title does not pass at the end of the lease. Finance leases are recognised as required by IAS 17, paragraphs 20-32.

"Operating leases" are defined as any arrangement for the lease of assets that is not a finance lease.

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components: financial expense, recognised in profit or loss, and repayment of principal, recognised as a reduction of financial liabilities. Assets held under finance leases are recognised at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of selling price and value in use, and comparison 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 recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated analogously.

2.5. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

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

Intangible assets are either:

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

In the first two instances, intangible assets, including directly attributable expenses, are initially recognised at cost or fair value, respectively. They are then systematically amortised based on their useful life, which is the period over which the assets will be used by the company, generally between three and five years. The residual value of intangible assets at the end of their useful life is assumed to be zero.

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

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

2.6. Investment property

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially recognised at fair value with any subsequent changes recognised in profit or loss and are, consequently, not systematically amortised.

In order to determine the fair value, reference is made to a particular value, mainly determined through external assessments, considering transactions at current prices in an active market for similar real estate assets, in the same location and state as well as subject to similar conditions for leases and other contracts.

2.7. Financial assets and liabilities

The investments in subsidiaries which are not included in the consolidation area and the other equity investments are measured at fair value with recognition of the results in the income statement. When fair value cannot be reliably determined, the investments are measured at cost less accumulated impairment losses.

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

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

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

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

Treasury shares are measured at historical cost and recognised as a reduction of consolidated equity. In the event of sale, reissue or cancellation, the consequent profit and losses are recognised directly in equity.

Determination of impairment losses

All financial assets and liabilities, with the exception of “Financial assets and liabilities at fair value through profit or loss”, are tested for impairment in accordance with IAS 39, paragraphs 58-70.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of projected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

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

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

Impairment losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and available-for-sale assets, which are debt instruments, are recognised in profit or loss.

Measurement at fair value

The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, on initial recognition, is determined on the basis of the transaction price and is, therefore, equal to the amount paid or received.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions at the end of the reporting period. The fair value of interest rate swaps is calculated with reference to the present value of expected future cash flows. The fair value of currency forward contracts is determined with reference to the forward exchange rate at the end of the reporting period.

Fair value adjustments of derivative instruments not classified as hedging instruments are immediately recognised in profit or loss.

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

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

The fair value of forward agreements on currencies is determined using the exchange rate curve applicable on the measurement date.

With regard to forward agreements on currencies, from 2013 the 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 loss deriving from the subsequent changes in the fair value of the hedging instrument are recognised in profit and loss. The profit or loss of a hedged item, which is attributable to the hedged risk, modify the carrying amount of this item and are recognised in the 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 profit or loss, the effective portion of the profits or losses of the financial instrument (change in the fair value) is recognised in equity. The accumulated profit or loss is reversed from equity and accounted for in the profit or loss in the same period in which the transaction which constituted the object of the hedge took place.

Any profits or losses associated with a hedge which has become ineffective are immediately recognised 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 (recognised up to that time in equity) are recognised 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 realised and have been temporarily recognised in equity are immediately recognised in profit or loss.

If it is not possible to apply hedge accounting, the profits or losses from the fair value measurement of the derivative financial instrument are immediately recognised in profit or loss.

2.8. Factoring of receivables

The Group sells a significant portion of its trade receivables to factors. These factorings can be either with or without recourse. Without recourse factoring of receivables by the Group is made as required by IAS 39 for the derecognition of assets, since essentially all risks and rewards have been transferred. Without 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 liability balancing entry of equal amount is recognised in the consolidated financial statement. Factoring of receivables with recourse is reported under financial expense.

2.9. Inventories

Goods for resale are measured at the lower of purchase or production cost, including incidental expenses, and estimated realisable value. The cost of inventories generally includes costs incurred to bring the inventories to their current place and condition.

The value of metals and production costs are treated differently.

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

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

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

Supplies and consumables are measured at weighted average cost.

2.10. Cash and cash equivalents

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

2.11. Equity

Share capital consists of ordinary and savings shares without par value, fully subscribed and paid up at the 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 transaction have been used directly as a reduction of 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 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.

2.12. Receivables and payables

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

2.13. Current and deferred taxes

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

The current tax expense represents the estimated income tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at the end of the reporting period. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for the following temporary differences: initial recognition of assets and liabilities for transactions other than business combinations that have no effect on either accounting profit (or loss) or taxable income (or 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 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 the end of the reporting period. There is an offset of deferred tax assets and liabilities whenever there is a legal right to offset current tax assets and liabilities and if the deferred tax asset or liability relates to income taxes assessed by the same tax authority on the same taxpaying entity or differing taxpaying entities intending to settle the current tax asset or liability on a net basis or to simultaneously recover the asset and pay the liability.

Deferred tax assets are recognised to the extent that it is likely that there will be sufficient future taxable income to absorb them. The carrying amounts of deferred tax assets are tested for impairment at the end of each reporting period and are reduced to the extent that they are not likely to be recoverable.

2.14. Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as "defined contribution" plans or "defined benefit" plans. The Group's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the end of the reporting period. 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 plan. As a result of these changes, the new flows of post-employment benefits can be directed by workers towards forms of supplementary pension funds or retained in the company (in the case of companies with fewer than 50 employees) or transferred to the INPS, the 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 end of the reporting period are to be classified as defined benefit plans and measured by actuarial methods without, however, including the component relating to future pay increases;
- contributions payable both to supplementary pension schemes and INPS for post-employment benefits vesting subsequent to that date are to be classified as defined contribution plans with exclusion, in calculation of the cost of the period, of components relating to actuarial estimates.

The measurement of defined benefit plans was carried out by independent actuaries.

2.15. Provisions for risks and charges

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

- the Group has a current (legal or constructive) obligation as a result of a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the reporting period. 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.

Provisions for restructuring costs are recognised only if the Group has a formal detailed plan showing at least: the operations and main operating units concerned, the costs to be incurred, the approximate number of employees involved and if the third parties concerned reasonably expect that the entity will restructure because it has already commenced or because a public announcement in that regard has been made.

2.16. 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 recognised only when the Shareholders' right to receive payment has been established.

2.17. Stock Options

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 directors, 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 balancing entry in equity under "Reserve for stock options". The fair value of options granted to directors 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".

2.18. 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 realisation expected within the next twelve months.

2.19. Revenue recognition

Revenue from the sale of goods and services is recognised to the extent that it is probable that the Group will obtain economic benefits and the amounts thereof can be reliably determined. It is measured at the fair value of the consideration received or which is expected to be received, with account taken of any returns, rebates, discounts and premiums relating to quantity. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, when the recoverability of the consideration is probable and the relevant costs or any returned goods can be reliably estimated.

Although transfer of the risks and rewards of ownership vary depending on conditions of contract, it normally occurs on the physical delivery of the goods. Revenue from services, such as work performed on behalf of third parties, is recognised on the basis of the stage of completion of such work at the end of the reporting period. The progress is then measured with respect to the amount of work performed.

2.20. Financial income and expense

Financial income includes interest income from cash invested, exchange rate gains, dividends, guarantee fees received, gains on disposal of available-for-sale financial assets, fair value gains on assets held for trading and derivatives except for fair value gains of LME and metals forward contracts which are reported under "Purchases and change in raw materials". Dividends are recognised only when the right to receive payment has been established.

Financial expense includes loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets, factorage 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 changes in raw materials”.

2.21. Segment reporting

At an operational level, as at 30 June 2014 the Intek Group had three sectors subject to reporting, as detailed below:

- **Copper**: a sector consisting of an industrial grouping which is a leader in the international global production of copper and copper-alloy semi-finished products;
- **Financial and real estate assets** from Intek;
- **Advanced services** which included:
  - Energy from renewable sources: a sector consisting of a grouping of companies belonging to the ErgyCapital Group, listed on the Italian Stock Exchange, which is active in the area of plant and energy generation from renewable sources, especially in the field of photovoltaic energy;
  - Services in the automotive field: a sector represented by the COBRA Automotive Technologies Group which is listed on the Italian Stock Market and is a leader in the sector for anti-theft devices for cars and vehicle safety using IT and satellite technology.

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

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

Segment reporting is provided under paragraph 7 of the notes.

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

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

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

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted.

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

The calculation at 30 June 2014 of the basic earnings per share was done by taking the profit attributable to owners of the parent of Euro 15.4 million net of the share due to savings shares, attributable to holders of issued ordinary shares and the weighted average number of ordinary shares which was 340,410,924, taking account of any stock splits and/or reverse-stock splits and any increases/reduction in share capital pursuant to IAS 33 para. 64. In addition, the potentially diluting effect arising from the conversion of all the stock options was calculated.

2.23. Use of estimates

The preparation of these condensed interim consolidated financial statements and notes thereto in accordance with IFRS required the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities.

Estimates are primarily made to determine: the fair value of investment property, LME contracts and price fixing metal sales and purchase contracts with customers and suppliers recognised as financial instruments, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, estimated restructuring provisions, the indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognised in profit or loss. At the end of the reporting period, 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.

2.24. Accounting standards not yet applied

As at 30 June 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.

The most important included:

IFRS 9 Financial Instruments – The standard, issued in 2009 and subsequently amended, represents the first part of a step-by-step process that has the purpose of entirely superseding IAS 39 and introduces new criteria for the classification and measurement of the financial assets and liabilities.

The standard was re-issued in October 2010 and amended in November 2013. On 24 July 2014, the IASB completed the review phase. The European Union has still not completed the process of endorsing the document.

Among the main changes and additions, to be noted are:

a) the option of designating and electing also other non-financial items to be managed in hedge accounting;
b) the accounting treatments of the forward contracts and derivative options, if included in a hedge accounting relationship, will reduce the volatility of the impact on profit or loss;
c) the concept of “economic relationship” between hedged item and hedging instrument is introduced and a retroactive valuation of the hedging relationship will be no longer necessary;
d) more disclosure must be provided regarding risk management activities.

The revisions of IFRS 9 will enter into effect from periods beginning on or after 1 January 2018. The European Union has still not completed the process of endorsing the document.

IAS 16 – Property, Plant and Machinery and IAS 38 Intangible Assets -On 12 May 2014, the IASB issued amendments to the standard regarding amortisation/depreciation methods. The adoption of an amortisation/depreciation method based on revenues is considered inappropriate. The amendment is applicable from periods beginning on or after 1 January 2016.

IFRS 15 Revenues from Contract with Customers- On 28 May 2014, the IASB published IFRS 15 which specifies how and when to recognise revenue from contracts with customers. The standard mainly provides that the price must be allocated to the individual components (goods or services). The revenue must be recognised at the time that the “control” of the obligation is transferred. Furthermore, IFRS 15 provides for additional disclosures insofar as: the nature, amount, timing, and uncertainty of revenue and cash flows. The provisions of IFRS 15 are applicable from periods beginning on or after 1 January 2018.

IFRS 11 Joint Operations (amendment) -On 6 May, the IASB issued an amendment to IFRS 11 which covers the accounting treatment to be adopted for acquisitions of initial or additional interests, which satisfy the definition of business pursuant to IFRS 3. The amendment of the standard is applicable from periods beginning on or after 1 January 2016.

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

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

Improvement to IAS 19 Employee Benefits – The amendment issued by IASB in November 2013 is applicable to employee contributions or defined benefit plans. The objective of the amendments is to simplify the accounting of the contributions which are not reliant on the employee's number of years of service. The amendments are applicable to financial statements beginning from 1 July 2014, while early application is allowed.

Improvement to IFRS 2010-2012 Cycle- The amendment issued by the IASB in December 2013 contains a set of amendments to IFRS (IFRS2, IFRS3, IFRS 8, IFRS13, IAS 16, IAS 24 and IAS 28). These amendments are applicable to financial statements that begin on 1 July 2014, while early application is allowed.

Improvements to the IFRS 2011-2013 Cycle – The amendment issued by the IASB in December 2013 contains a set of amendments to the IFRS (IFRS1, IFRS 3,IFRS 13, and IAS 40). These amendments ensue from proposals contained in the Annual Improvements to IFRS 2011-2013 Cycle, which was published in November 2012. The amendments are applicable to financial statements that begin on 1 July 2014, while early application is allowed.

IFRS 14 Regulatory Deferral Accounts-IFRS 14 issued by the IASB in January 2014 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 applicable from 1 January 2016, but early adoption is allowed.

The adoption of the above mentioned standards, amendments and interpretations is not expected to produce significant effects on the financial statements.

3. ***Financial risk management***

The Group is subject to a number of operating and financial risks in the normal course of its business. Group policy is to eliminate or at least minimise such risks through hedging strategies. The Group therefore has in place formal procedures for definition of the objectives and procedures for the hedging of the following risks: credit risk, liquidity risk, currency risk, interest rate risk and above all commodity risk.

Types of risk:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information, credit lines in existence, insurance and the factoring of the greatest part of receivables without recourse.

b) liquidity risk: it 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 flow from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit. Given the current environment, the Group intends to maintain sufficient operating cash flow generation capacity through measures designed to control the level of working capital and, in particular, cash needs arising from raw material inventories;

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

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

e) commodity risk (mainly copper): it is the most significant and strategic of the risks. The objective is to fully hedge this risk through trading in physical goods or forward contracts on the London Metal Exchange (LME). Specifically, all metal price fixing sales and purchase contracts are netted daily and the change in the net open position is generally hedged by LME contracts so that the company is not exposed to overnight price risk. LME contracts are normally paper deals (i.e., settled through the payment of differentials), whereas trading in physical goods may require delivery of the actual commodity, finished goods or semi-finished products. Both types are physical transactions that could be settled through: cash and cash equivalents of the spread, issuing of another financial instrument or exchange of financial instruments. This is also the case for price fixing sales and purchase contracts with customers and suppliers which, although normally settled by physical delivery, may also be settled prior to the delivery date by squaring positions and can also be used to take advantage of opportunities on the market which would otherwise have to be ignored without, however, making physical delivery of the commodity. The concept of similarity and neutrality for LME and physical goods trading is supported by the fact that:

- they have analogous methods of execution (physical or through payment of differentials);
- having the same reference price (LME quotation);
- being managed through only one risk management "position", changes in which are linked to operational factors, and a single "administrative and accounting" system;
- reliably determining fair value.

The fact that both LME contracts and customer and supplier contracts may both be settled through payment of differential market prices means that, in accordance with paragraph 6b of IAS 39, metal price fixing sales and purchase contracts can, similarly to financial instruments, be accounted for at fair value with changes in fair value recognised in profit or loss under "Purchases and change in raw materials".

All derivative financial instruments used by the Group, except those relating to currency risk, are not designated as hedging instruments within the meaning of IAS 39, even though they were acquired to manage the aforementioned risks (please refer to paragraph 2.7).

4. *Notes to the Condensed Interim Consolidated Financial Statements at 30 June 2014*

As already mentioned, there was a change in the consolidation scope, 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 (GD). In the tables below, which contain the statement of financial position items, the amounts relating to this transaction are shown as "Changes in scope of consolidation".

4.1. *Property, plant and equipment:*

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Land	52,881	53,040	(251)	92
Buildings	74,627	78,885	(2,919)	(1,339)
Plant and equipment	346,722	365,764	(10,391)	(8,651)
Moveable property	24,911	26,372	(1,227)	(234)
Payments on account and assets under construction	11,824	16,365	(338)	(4,203)
Property, plant and equipment	**510,965**	**540,426**	**(15,126)**	**(14,335)**

Changes in the period may be summarised as follows:

(in thousands of Euro)	*Land*	*Buildings*	*Plant and equipment*	*Moveable property*	*Payments on accout*	*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 as at 31 December 2013	**53,040**	**78,885**	**365,764**	**26,372**	**16,365**	**540,426**
Gross amount as at 31 December 2013	**53,335**	**203,625**	**1,009,875**	**99,222**	**16,432**	**1,382,489**
Purchases in the period	-	454	1,828	1,317	5,924	9,523
Reclassifications	-	920	6,203	2,440	(8,134)	1,429
Change in consolidation scope (cost)	(251)	(6,473)	(23,843)	(4,659)	(338)	(35,564)
Increase in cost due to translation differences	104	86	1,587	54	(7)	1,824
Disposals (cost)	-	(6)	(19,640)	(1,714)	(1,999)	(23,359)
Gross amount as at 30 June 2014	**53,188**	**198,606**	**976,010**	**96,660**	**11,878**	**1,336,342**
Accumulated depreciation as at 31 December 2013	**(295)**	**(124,740)**	**(644,111)**	**(72,850)**	**(67)**	**(842,063)**
Reclassifications	-	-	(68)	(1,427)	68	(1,427)
Depreciation	(15)	(2,787)	(14,740)	(2,197)	-	(19,739)
Change in consolidation scope (accumulated depreciation)	-	3,554	13,452	3,432	-	20,438
Impairment and losses	-	-	(332)	-	(55)	(387)
Increase in depreciation due to translation differences	3	(11)	(1,521)	(56)	-	(1,585)
Disposals (accumulated depreciation)	-	5	18,032	1,349	-	19,386
Accumulated depreciation as at 30 June 2014	**(307)**	**(123,979)**	**(629,288)**	**(71,749)**	**(54)**	**(825,377)**
Gross amount	53,188	198,606	976,010	96,660	11,878	1,336,342
Accumulated depreciation	(307)	(123,979)	(629,288)	(71,749)	(54)	(825,377)
Total as at 30 June 2014	**52,881**	**74,627**	**346,722**	**24,911**	**11,824**	**510,965**
of which funded under finance leases	1,300	3,132	3,983	-	-	8,415

The sales of the plant and equipment mostly refer to the sanitary tube operation in the UK.

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

(millions of Euro)	*30 June 2014*		*31 Dec. 2013*	
	Carrying amount	*%*	*Carrying amount*	*%*
Germany	230.7	45.2%	235.9	43.7%
Italy	198.5	38.9%	219.4	40.6%
France	50.6	9.9%	52.1	9.6%
United Kingdom	10.0	2.0%	11.2	2.1%
Spain	9.3	1.8%	9.1	1.7%
China	9.7	1.9%	10.3	1.9%
Other	2.2	0.4%	2.4	0.4%
Total	**511.0**	**100.0%**	**540.4**	**100.0%**

On the real estate and industrial equipment belonging to the Osnabrück plant of KME Germany Gmbh & CO. K.G., for an amount equal to Euro 185.5 million (Euro 198.86 million at the previous year end), there is a first degree mortgage securing the Group's credit lines.

Property, plant and equipment under finance leases include:

- Euro 4.4 million for the Firenze Novoli real estate property, which houses the copper sector headquarters. The lease for this building contains a purchase option exercisable on 30 September 2016;
- Euro 4.0 million for a new furnace installed in the foundry department within the plant of Fornaci di Barga.

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

(in thousands of Euro)	*within 1 year*	*from 1 to 5 years*	*beyond 5 years*	*Total*
Minimum lease payments	952	5,199	350	6,501
of which interest	210	416	4	630
Present value	**742**	**4,783**	**346**	**5,871**

Amounts as at 31 December 2013 were as follows:

(in thousands of Euro)	*within 1 year*	*from 1 to 5 years*	*beyond 5 years*	*Total*
Minimum lease payments	919	5,206	350	6,475
of which interest	208	415	4	627
Present value	**711**	**4,791**	**346**	**5,848**

4.2. Investment property

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Investment property	**80,840**	**80,665**	**-**	**175**

In addition to investments in the "*financial and real estate assets*" sector of Euro 38.5 million, the item consists of land and buildings of Euro 42.3 million in the copper sector.

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

(in thousands of Euro)	
Total as at 31 December 2013	**80,665**
Increases in the period	230
Fair value adjustments	(55)
Total as at 30 June 2014	**80,840**

The increases refer to the purchase of a building located in Tortona (AL) by the copper sector.

As at 30 June 2014 this item can be broken down as follows:

- Buildings connected to the Copper sector 42,297
- Bologna Area 19,000
- Varedo Area 15,000
- Ivrea Area 3,965
- Other 578

Total 80,840

In the first half of 2014, Euro 941 thousand in revenue from rentals, were recognised in profit or loss.

4.3. Goodwill

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

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Goodwill	**125,801**	**125,801**	**-**	**-**

It is hereby noted that there have been no movements in the period and there have never been adjustments for impairment losses.

It should be noted that, for the purposes of carrying out the impairment test as at 31 December 2013 with the support of an external advisor for the copper and copper-alloy semi-finished products sector which coincides with the carrying amount of the subsidiary KME AG - in other words the scope of the consolidated financial statements of KME AG including the related goodwill recognised in the consolidated financial statements - the Plan for 2014 -2018 (“the Plan”) was used as prepared at Group level and approved by the Intek Group Board of Directors on 28 April 2014 and by the KME AG Board of directors on 16 April 2014.

Compared to those used previously in impairment tests, the plan is characterised by a review downward of the future flows also in light of the business results reached during 2013.

The main assumptions underlying the business plan for 2014 -2018 envisage:

- progressive recovery of the sales volumes of approximately 3% annually (the increase in consumption of copper at the global level (CAGR 2012-2016) is 4.5%) up to levels reflected the quantity sold in 2010-2011 are expected to be reached in 2018;
- increase in the added value (CAGR of approximately 5.6%) connected to the stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators that provide for an essentially stable trend;
- significant recovery in Gross Operating Profit 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 of 3%;

- stable investments equal to approximately 5% of net assets.

The impairment test carried out as at the end of the 2013 reporting period was developed by determination of the "value in use" using the discounted cash flow (DCF) method, which involves discounting the operating cash flows generated by the assets of the (net of the tax effect) at a discount rate which is representative of the weighted average cost of capital (WACC) of 8.7%) plus an additional premium of 1.5% to reflect the risks inherent in the estimates taking into account the historic deviations which have been recognised. The DCF method was applied using as a basis the forecasts and changes in some financial statement items contained in the aforementioned plan.

The terminal value has been calculated using the assumptions that long-term EBITDA is the EBITDA recognised in the Plan in the last 5 years (explicit period), that amortisation is equal to investments and using a long-term growth rate "g" of zero.

As provided by IAS 36.33, the projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimisation of the operations.

The WACC rate was determined on the basis of the following parameters:

- risk free-rate: weighted average of the 10 year government bonds in each country in which the Group operates;
- market risk premium: equal to 5%, in line with the Italian valuation practices;
- cost of debt: 10-year European swap rate at 31 December 2013 plus a 3% spread;
- Beta unlevered: average of the beta coefficients of a sample of comparable listed companies plus an additional risk premium of 2%.

It should be noted that in 2012 the cash flows were discounted using a WACC discount rate of 8.8%, net of taxes. This rate took into account an average risk free rate of 3.23%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year.

The aforementioned impairment was also tested for sensitivity using a WACC of 8.2% at 12.2% and a growth rate "g" from 0 to 2% and an alternative scenario for the calculation of the terminal value calculating assuming that the long-term Gross Operating Profit is equal to the average Plan Gross Operating Profit for the for three years at a discount rate representing the average cost of capital (WACC) equal to 8.7% increased by an additional premium of 1.5% to reflect the risks inherent in the forecasts taking into account the historic deviations which have been recognised.

The sensitivity analysis did not reveal the need for impairment on the basis of a "g" growth rate from 0.5% up to 2% or an increase in WACC of 2.0%.

The impairment test undertaken, on the basis of the analyses and findings set out above, resulted in a minimum enterprise value of Euro 605.6 million compared to net invested capital in the copper sector of Euro 528.7 million and therefore no need was seen to make any impairment, also on the basis of the sensitivity analysis described above.

As at 30 June 2014, there were no indications that these impairment tests required updating.

4.4. Intangible assets

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Other	2,098	2,446	(61)	(287)
Payments on account and assets under development	138	123	-	15
Intangible assets	**2,236**	**2,569**	**(61)**	**(272)**

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

Research and development expenditure is recognised directly in profit or loss. Costs of Euro 0.6 million were recognised in the first half of 2014.

The changes in the first half of 2014 were as follows:

(in thousands of Euro)	*Other*	*Payments on account and assets under development*	*Total*
Gross amount	14,339	123	14,462
Accumulated amortisation	(11,893)	-	(11,893)
Total as at 31 December 2013	**2,446**	**123**	**2,569**
Gross amount as at 31 December 2013	**14,339**	**123**	**14,462**
Purchases in the period	126	104	230
Reclassifications	83	(85)	(2)
Change in consolidation scope (cost)	(194)	-	(194)
Decreases (cost)	-	(4)	(4)
Increase in cost due to translation differences	-	-	-
Gross amount as at 30 June 2014	**14,354**	**138**	**14,492**
Accumulated amortisation as at 31 December 2013	**(11,893)**	**-**	**(11,893)**
Change in consolidation scope (accumulated amortisation)	133	-	133
Amortisation and impairment losses	(496)	-	(496)
Increase in amortisation due to translation differences	-	-	-
Decreases (accumulated amortisation)	-	-	-
Accumulated amortisation as at 30 June 2014	**(12,256)**	**-**	**(12,256)**
Gross amount	14,354	138	14,492
Accumulated amortisation	(12,256)	-	(12,256)
Total as at 30 June 2014	**2,098**	**138**	**2,236**

4.5. Investments in subsidiaries, associates and other companies

The breakdown of the item was as follows:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change*
Investments in subsidiaries and associates	15,305	11,940	3,365
Investments in other companies	270	270	-
Equity-accounted investees	87,819	38,601	49,218
Investments	**103,394**	**50,811**	**52,583**

The related change was as follows:

(in thousands of Euro)	*Investments in subsidiaries and associates*	*Investments in other companies*	*Equity-accounted investees*	*Total*
Total as at 31 December 2013	**11,940**	**270**	**38,601**	**50,811**
Increases	4,362	-	72,515	76,877
Translation differences	19	-	-	19
Decrease	(8)	-	-	(8)
Reclassification	-	-	(27,371)	(27,371)
Other movements	-	-	3,113	3,113
Adjustments	(1,008)	-	961	(47)
Movements of the year	*3,365*	-	*49,218*	*52,583*
Total as at 30 June 2014	**15,305**	**270**	**87,819**	**103,394**

The changes in the value of the "*Investments in subsidiaries and associates*" mainly refer to the equity investment in P.H.M. Pehamet Sp.Zo.o (Euro 600 thousand) and ErgyCapital warrants, recognised at their market value (Euro 408 thousand).

The increases in the "*Investments in subsidiaries and associates*" mainly include the increase respectively of Euro 2,544 thousand and Euro 1,804 thousand in Culti Srl and 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 SpA*	*Cobra A.T. SpA*	*Total*
Increases	72,515	-	-	72,515
Reclassification	-	-	(27,371)	(27,371)
Other movements	-	(647)	3,760	3,113
Adjustments	-	(748)	1,709	961
Changes in the period	**72,515**	**(1,395)**	**(21,902)**	**49,218**

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. On the other hand the reclassifications refer to the equity investments in Cobra AT SpA (41,425,750 ordinary shares, equalling 42.68% of the share capital) which was included among "Non-current assets held for sale" due to the conclusion of the framework agreement with Vodafone in June.

The other transactions originated from changes in equity of the investees ErgyCapital and Cobra A.T.

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

Name	*Registered office*	*Activity*	*% ownership Intek Group*		*30 Jun. 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 operative	-	100.00%	120	120
Bredafin Innovazione SpA in LCA	Italy	non operative	-	99.99%	141	141
Culti S.r.l.	Italy	Commercial	-	100.00%	3,905	1,361
Europa Metalli Trèfimétaux UK Ltd	Great Britain	non operative	-	100.00%	499	480
FEB Investimenti Srl	Italy	non operative	100.00%	-	20	10
Il Post Srl	Italy	Publishing	-	30.43%	400	400
KME America Inc.	USA	Industrial	-	100.00%	7	7
KME America Marine Holding Ltd	USA	Holding	-	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 Czech Republic	Czech Rep.	Industrial	-	100.00%	-	-
KME Engineering S.r.l.	Italy	Liquidated	-	100.00%	-	-
KME Germany Holding GmbH	Germany	non operative	-	100.00%	28	27
KME Germany Service GmbH	Germany	non operative	-	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 operative	-	100.00%	-	-
KME Metals (Shanghai) Trading Ltd	China	Industrial	-	100.00%	81	81
KME Polska Sp. Zo.o.	Poland	Industrial	-	100.00%	64	64
KME Suisse S.A.	Switzerland	Industrial	-	100.00%	1,000	1,000
Metal Center Danmark A/S	Denmark	Industrial	-	30.00%	134	134
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
Societe Haillane de Partecipations	France	non operative	-	99.99%	40	40
Special Steel SE Asia Ltd	Singapore	Industrial	-	25.00%	88	87
Warrant ErgyCapital SpA	Italy	Energy	-	n.a.	1,016	1,424
Zahner KME GmbH	Germany	Industrial	-	50.00%	-	-
Investments in subsidiaries and associates					**15,305**	**11,940**
Editoriale Fiorentina Srl	Italy	Publishing	-	7.13%	142	142
Other KME France SAS investments	France	Miscellaneous	n.a.	n.a.	116	116
Other former Intek SpA investments	Italy	Miscellaneous	n.a.	n.a.	12	12
Investments in other companies					**270**	**270**
KMD (HK) Holding Limited	Hong Kong	Holding	-	50.00%	72,515	-
ErgyCapital SpA	Italy	Energy	-	46.37%	15,304	16,699
Cobra A.T. SpA	Italy	Servizi	-	42.68%	-	21,902
Equity-accounted investees					**87,819**	**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.

4.6. *Other non-current assets*

The breakdown of the item was as follows:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Guarantee deposits	950	540	-	410
Receivables for disposal of investments	-	-	-	-
Other receivables	5,125	5,712	(4)	(583)
Other non-current assets	**6,075**	**6,252**	**(4)**	**(173)**

"*Other receivables*" include receivables from foreign-company employees.

4.7. *Non-current financial assets*

This item can be broken down as follows:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Bank deposits pledged as collateral	3,192	3,595	-	(403)
Closed investment funds	8,685	9,380	-	(695)
Receivables due from associates	175	175	-	-
Other non-current financial assets	3,050	3,051	-	(1)
Non-current financial assets	**15,102**	**16,201**	**-**	**(1,099)**

Bank deposits pledged as collateral include Euro 2,503 thousand relating to a deposit at Unicredit Banca d'Impresa SpA that has been pledged to Unicredit Mediocredito Centrale SpA (MCC). The balance must always be equal to 1/16 (one sixteenth) of the loan outstanding from time to time, in addition to accrued interest due and payable on the next payment date. Any amounts on the account in excess of that amount are immediately available. For further details regarding the amount and the nature of the loan please refer to paragraph 4.16. The item also includes bank guarantee deposits issued in the special situations business.

The stakes in "Investment funds" relate almost entirely to the Intek Group holding (19.1%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The reduction compared to 31 December 2013 is due to the distributions received of Euro 583 thousand, a new payments of Euro 155 thousand and impairment losses made at the end of the period of Euro 267 thousand.

4.8. *Inventories*

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Raw materials, consumables and supplies	384,202	460,115	(23,932)	(51,981)
Work in progress and semi-finished products	28,441	29,424	(3,647)	2,664
Finished goods	31,246	36,054	(3,360)	(1,448)
Inventories	**443,889**	**525,593**	**(30,939)**	**(50,765)**

The reduction in the inventories can be associated with the reduction in the raw material prices and with the sale of the sanitary tubing segment in the UK.

As at 30 June 2014, the value of several metals (mainly copper, silver, zinc and nickel) as they resulted from the application of the FIFO method was higher compared to their realisable amount as determined according to note 2.9, by Euro 1.4 million (Euro 3.7 million in the previous year). An allowance for inventory write-downs of this same amount was recognised.

(in tonnes)	*30 Jun. 2014*	*31 Dec. 2013*	*Change*	*Change%*
Own inventory	**74,409**	**85,212**	**(10,803)**	**-12.68%**

Of the above amount 80.4 thousand tonnes, consisting mainly of copper, have been pledged as collateral for credit lines extended to the Group.

4.9. Trade receivables

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Due from customers – gross amount	*127,699*	*122,182*	*(3,789)*	*9,306*
Allowance for impairment	*(14,200)*	*(14,164)*	*-*	*(36)*
Due from customers – net amount	113,499	108,018	(3,789)	9,270
Due from associates	35,796	6,406	-	29,390
Receivables for factoring/lease	8,667	9,338	-	(671)
Trade receivables	**157,962**	**123,762**	**(3,789)**	**37,989**

"*Due from customers*" include Euro 35.4 million factored with recourse

A sum of Euro 1.9 million of the receivables due from customers (Euro 0.8 million at 31 December 2013) is tied up as security for the credit lines granted to the Group.

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

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

4.10. Other current receivables and assets

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Tax assets	11,730	22,108	(2)	(10,376)
Advance payments to suppliers	1,810	2,259	(9)	(440)
Receivables from special situations	6,832	6,832	-	-
Prepayments and accrued income	4,995	5,063	(29)	(39)
Other receivables	21,936	21,319	(102)	719
Other current receivables and assets	**47,303**	**57,581**	**(142)**	**(10,136)**

The "*Other receivables*" item consists mainly of:

- receivables due from local authorities, essentially referring to the German companies, for refunds relating to energy costs of Euro 11.5 million.
- receivables due from personnel and social security agencies of Euro 3.8 million;
- receivables from insurance companies amounting to Euro 2.2 million.

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

"*Tax assets*" include, among other things, receivables for direct taxes of Euro 3,420 thousand (of which Euro 2,500 thousand has been requested for reimbursement) and VAT receivables for Euro 2,015 thousand of the Parent company. The receivables related to the copper sector are equal to Euro 4,826 thousand. The decrease mainly relates to the collection of tax receivables due from FEB – Ernesto Breda SpA for receivables accrued during the company's period of administrative compulsory liquidation.

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

4.11. Current loav assets

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Financial assets held for trading	13,317	8,441	-	4,876
LME and metal purchase/sale contracts	19,432	15,106	(2,081)	6,407
Interest Rate Swap (IRS) and forward contracts	675	666	(68)	77
Receivables due from factoring companies	82,898	65,680	(6,155)	23,373
Other current loan assets	-	462	-	(462)
Receivables from associates	10,878	10,915	-	(37)
Current loan assets	**127,200**	**101,270**	**(8,304)**	**34,234**

"*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 end of the reporting period (Euro 0.13 per share);
- 4,993,900 ErgyCapital SpA warrants, which are carried at their official price at the end of the reporting period (Euro 0.02 per warrant);
- 8,465,810 ordinary shares of Cobra A.T. SpA, also part of the framework agreement with Vodafone, which are measured on the basis of their price at end of the reporting period (Euro 1.477 per share).

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

"*Receivables due from factoring companies*" of Euro 66.6 million are carried at the amounts of receivables factored without recourse but not yet collected at the end of the reporting period and the revolving amount of the consideration which will be collected upon the due dates of the relative invoices assigned of Euro 16.3 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.

4.12. *Cash and cash equivalents*

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

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Bank and post office accounts	78,683	38,491	(2,264)	42,456
Cash on hand	2,050	3,304	(9)	(1,245)
Cash and cash equivalents	**80,733**	**41,795**	**(2,273)**	**41,211**

4.13. *Non-current assets held for sale*

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Equity investments held for sale	27,371	-	-	27,371
Properties held for sale	7,349	7,795	-	(446)
Non-current assets held for sale	**34,720**	**7,795**	**-**	**26,925**

The equity investment in Cobra AT was reclassified under this item. It had been previously classified under equity-accounted investees.

It also includes property assets (Padua, Paris, and Sezze) that are expected to be disposed of within the next twelve months. In particular, the Paris property, recognised at Euros 6,140 thousand, constitute the object of an agreement with the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti for payment of the amount due to the latter.

4.14. Equity

For an illustration of the changes in consolidated equity please see the "Statement of changes in equity" (the "technical consolidation reserves" item includes the subsidiaries' profit from previous years net of consolidation entries, the consolidation reserve and the translation reserve).

4.15. Employee benefits

(in thousands of Euro)	*31 Dec. 2013*	*Increases*	*Decrease*	*Change in consolidation scope*	*Translation differences*	*30 Jun. 2014*
Defined benefit plans	218,937	2,715	(4,537)	(2,706)	1,396	215,805
Post-employment benefits	15,727	243	(541)	-	-	15,429
Employee benefits	**234,664**	**2,958**	**(5,078)**	**(2,706)**	**1,396**	**231,234**

"*Defined benefit plans*" are recognised net of any plan assets. Euro 180.2 million of defined benefit plans relate to the German subsidiaries and Euro 35.6 million relate to the subsidiary KME Yorkshire Ltd.

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

General Criteria	*30 Jun. 2014*	*31 Dec. 2013*
Discount rate	2.5-4.5%	2.5-4.5%
Rate of return on plan assets	4.5%	4.5%
Rate of increase in future remuneration	1%	1%
Future increase in services	2.0-3.15%	2.0-3.15%
Average remaining working life	13 years	13 years
General Criteria		

Also for the first half of 2014, regarding the actuarial measurement of the post-employment benefits (TFR) a discount rate based on the "Iboxx Eurozone Corporate AA" index was used.

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

(in thousands of Euro)	*1st half 2014*	*1st half 2013*
Current service cost	3,528	4,240
Interest expense	1,010	699
Past service cost	330	332
Cost recognised in profit or loss	**4,868**	**5,271**

The analysis of funded and unfunded liabilities is as follows:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Present value of partially or fully funded obligations	197,178	199,958
Present value of unfunded obligations	106,012	102,363
Present value of defined benefit obligation	**303,190**	**302,321**
Plan assets	(71,956)	(67,659)
(Surplus) deficit	**231,234**	**234,662**

The change of the present value of the obligation and that of the plan assets are analysed below.

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Opening balance of obligation	302,321	299,040
Change in consolidation scope	-	-
Current service cost	3,528	2,978
Interest on obligation	2,468	9,435
Adjustments based on experience	-	(3,331)
Actuarial (gains) losses	10	12,036
Curtailments or settlements	330	(40)
Translation differences on foreign plans	4,095	(1,716)
Benefits provided and paid	(6,855)	(16,179)
Effect of any curtailment or settlement	(2,707)	98
Present value of the obligation	**303,190**	**302,321**

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Opening balance	67,659	63,138
Interest income	1,458	2,589
Expected return on plan assets	-	1,292
Actuarial gains (losses)	2,121	6,186
Translation differences on non-Euro plan assets	2,646	(1,195)
Employer contributions	235	1,112
Benefits provided and paid	(2,163)	(5,463)
Fair value of plan assets	**71,956**	**67,659**

4.16. Non-current loans and borrowings

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Bank loans and borrowings	48,780	91,235	-	(42,455)
Due to lease companies	5,116	5,611	(13)	(482)
Due to others	183	23	-	160
Intek Group 2012/2017 debt securities	47,106	46,869	-	237
Intek Group 2012/2017 bonds	10,803	10,726	-	77
Non-current loans and borrowings	**111,988**	**154,464**	**(13)**	**(42,463)**

The distribution by sector of activity follows below:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change*
Real Estate sector	18,931	20,173	(1,242)
Copper sector	29,849	71,062	(41,213)
Non-current banks loans and borrowings	**48,780**	**91,235**	**(42,455)**

The loans applicable to the copper sector are the following:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Loan by a banking syndicate	242,324	-	242,324
Unicredit Mediocredito Centrale	13,082	26,503	39,585
Other	13,327	3,346	16,673
“Copper” sector loans	**268,733**	**29,849**	**298,582**

KME AG, together with its subsidiaries, has an outstanding loan agreement with a banking syndicate (Deutsche Bank AG, Commerzbank Aktiengesellschaft, Unicredit SpA, Banca Nazionale del Lavoro SpA, Mediobanca- Banca di Credito Finanziario SpA, Banca Popolare di Milano Scrl., Intesa Sanpaolo SpA, Banca Monte dei Paschi di Siena SpA) with Deutsche Bank AG as the lead bank. The agreement covers two credit lines totalling Euro 565 million (of which Euro 305 million for letters of credit) named "Tranche A" (in the form of a revolving loan to cover the inventory needs of the industrial companies) and " Tranche B" (in the form of a revolving loan to cover the month to month inventory requirements of the industrial companies) characterised by considerable flexibility in relation to the Group's financing requirements.

At the beginning of August 2014, the subsidiary KME AG concluded a credit line agreement with financing institutions to 31 July 2016 covering a total amount of Euro 505 million usable as a revolving line.

The financing cost is essentially in line with the currently extended one.

Covenants are envisaged, which are verified every six months and based on the Gross Operating Profit/Financial Expense ration and the gross financial debt/consolidated equity ratio, all complied with at 30 June 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/quotas and stakes of KME AG subsidiaries: KME Italy SpA and KME Brass Italy Srl;
- a first-level mortgage on the real estate and industrial equipment belonging to the Osnabrück plant of KME Germany Gmbh & CO. K.G.;
- a pledge of the inventory of the industrial companies, except for non-European subsidiaries;
- a lien on some factoring and insurance contracts;
- a pledge of a portion of the receivables of KME Ibertubos 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 syndicate and which were complied with in full as at 30 June 2014.

Again with reference to the "copper" sector, there are two factoring contracts which were recently renewed up to June 2016, which provide for covenants in line with those of the banking syndicate.

- a without-recourse factoring agreement that KME AG, together with its subsidiaries, has in course with GE Factorfrance SAS, signed on 30 September 2006 and subsequent amendments and integrations;
- factoring agreements that the subsidiaries KME Italy Spa, KME Brass Italy Srl, KME France SA, and KME Brass France SAS signed on 26 April 2011 with Mediofactoring SpA and subsequent amendments and integrations.

The agreement with GE Factorfrance SAS consists of a credit line of up to Euro 355 million to be used for without-recourse factoring transactions, whereas that with Mediofactoring consists of 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 261.3 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	3,000	-	3,000
Tecno Servizi loan	600	5,291	5,891
I2 Real Estate - Intesa SanPaolo loan	375	1,252	1,627
I2 Real Estate (former Nuova Parva) loan	827	338	1,165
Malpaso loan	-	12,050	12,050
"Real estate" loans	**4,802**	**18,931**	**23,733**

- the "*Rede Immobiliare loan*" (Cassa Risparmio Parma e Piacenza) for a total of Euro 3,000 thousand expiring in September 2014. The credit line granted is opened on a current account with a mortgage on the property in Borgo Panigale (BO) at an interest rate of 2.50% over the 3-month Euribor (Euro Interbank Offered Rate) average of the previous month at the start of each quarter, recognised on 1 January, 1 April, 1 July, and 1 October of each year or the first subsequent working day. No financial covenants are envisaged.
- the "Tecno Servizi loan" (Mediocredito Lombardo) which expires on 31 December 2015 and is worth Euro 5,291 thousand in the medium term and Euro 600 thousand in the short term. Quarterly payments are envisaged of Euro 150,000 falling on 31 March, 30 June, 30 September and 31 December each year with payment of the residual amount at 31 December 2015. The loan is guaranteed by a mortgage on the property in Varedo (MB). Interest is calculated on the basis of the 3-month Euribor, recognised 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 1,627 thousand which expires on 31 December 2021. The short-term amount is Euro 375 thousand. Half-yearly instalments are envisaged of Euro 139 thousand including interest. The loan is guaranteed by a mortgage on the property in Ivrea (San Bernardo industrial zone). Interest is calculated on the basis of 6-month Euribor plus a spread of 0.9%. No financial covenants are envisaged.
- the "I2 Real Estate loan" (former Nuova Parva) which was taken over on the transfer of the property in Padua, on which there is a mortgage to guarantee the loan itself. The current amount is Euro 1,165 thousand which expires on 30 June 2024. Interest is calculated on the basis of 6-month Euribor plus a spread of 1.25%. No financial covenants are envisaged.
- The "*Malpaso credit line*" (GE Capital): the loan is equal to Euro 12,050 thousand, of which a senior share of Euro 8,272 thousand plus interest and a junior share of Euro 3,000 thousand. The term is established until 2015 and re-payments are not envisaged until the date of expiry. Interest is calculated solely on the senior share on the basis of 6-month Euribor plus a spread of 2.5%. To guarantee the loan a lien was granted on Malpaso's investment in Rede Immobiliare. No financial covenants are envisaged.

"Payables due to lease companies" regard the recognition, pursuant to IAS 17, of the finance lease agreement for the Firenze Novoli's property and of a plant at the Fornaci di Barga factory.

The item "Intek Group debt securities" and "Intek Group bonds" relates to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue of shares). The Intek Group bonds, with a nominal value of Euro 0.50, issued and outstanding, amount to 22,655,247, while the Intek Group equity instruments with a nominal value of Euro 0.42 which have been issued and are outstanding are 115,863,263. Both categories of securities have a duration of five years from 2012 to 2017 and have a fixed rate of 8%. The initial recogniseing of the two categories of securities took place at their fair value determined on the basis of their price.

The Non-current liabilities expiring later than five years total Euro 2.0 million.

4.17. Other non-current liabilities

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Payables due to employees	8,807	11,007	-	(2,200)
Other payables	938	1,132	-	(194)
Other non-current liabilities	**9,745**	**12,139**	**-**	**(2,394)**

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

"*Other payables*" relate to the special situations business as part of the taking over of court-approved agreements with creditors.

4.18. Provisions for risks and charges

A summary of the movements relating to the provisions for risks and charges is as follows:

(in thousands of Euro)	*31 Dec. 2013*			*Translation differences*	*Increases*	*Change in consolidation scope*	*Releases/ uses*	*30 June 2014*
	Non-current	*Current*	*Total*					
Provision for restructuring	1,376	3,062	4,438	-	1,291	-	(2,339)	3,390
Provisions for special situation risks	10,914	51	10,965	-	-	-	(6)	10,959
Other provisions for risks and charges	12,132	10,786	22,918	6	23,948	(456)	(3,925)	42,491
Total	**24,422**	**13,899**	**38,321**	**6**	**25,239**	**(456)**	**(6,270)**	**56,840**

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*," equalling 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.

"*Other provisions for risks and charges*" include, but are not limited to, contingent liabilities of Euro 4.4 million with respect to environmental risks, Euro 3.4 million for legal and tax risks and Euro 3.0 million for product warranties.

With respect to main litigation brought against the Group's industrial companies, please be advised that:

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

"Provisions for special situations risks" relate to the lease and factoring businesses which were previously conducted by the Fime Group and to the subsidiary FEB – Ernesto Breda for liabilities which arose during the administrative compulsory liquidation procedure. These provisions include an allocation of Euro 6.0 million for ISVEIMER's conditional receivables already recognised in the bankruptcy proceedings that involved Finanziaria Ernesto Breda within the administrative compulsory liquidation. With a claims served in March 2013 SGA – Società per la Gestione di Attività Spa ("SGA"), which claims to be ISVEIMER's transferee for the above mentioned receivables, initiated a proceeding against FEB before the Court of Naples requesting the recognition of its rights as creditor. 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 recognised during the court approved agreement with creditors for a total amount of Euro 6 million. In any case, the Company has worked on negotiations in order to quickly conclude and avoid the court procedure which would be required for any ruling to be pronounced, and attempted to settle the dispute. The court proceedings nevertheless were initiated and the next hearing is for 7 October 2014, for the findings portion.

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

4.19. Current loans and borrowings

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Bank loans and borrowings	287,489	273,785	-	13,704
Due to associates	5,544	4,986	-	558
Due to lease companies	1,005	1,005	(5)	5
Due to factoring companies	38,591	45,458	-	(6,867)
Interest rate swap (IRS) and currency forward contracts	992	1,301	(23)	(286)
LME and metal purchase/sale contracts	10,979	6,985	-	3,994
Due to others	30,183	17,700	(4,270)	16,753
Current loans and borrowings	**374,783**	**351,220**	**(4,298)**	**27,861**

"*Bank loans and borrowings*" also include amounts falling due within twelve months of the non-current loans as mentioned above. The "Due to factoring companies" item relates to the factoring of receivables with recourse at the end of the reporting period.

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

The "*Due to others*" item includes payables due to the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali (Euro 8,060 thousand) and the interest on the debt securities issued (Euro 4,352 thousand). An agreement is in force with Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali for payment of the debt through transfer of properties in 2014.

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

4.20. Trade payables

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Due to suppliers	507,563	481,083	(22,696)	49,176
Due to associates	1,666	348	-	1,318
Trade payables	**509,229**	**481,431**	**(22,696)**	**50,494**

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

4.21. Other current liabilities

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Due to employees	42,119	31,641	(1,678)	12,156
Due to social security institutions	8,396	10,397	(75)	(1,926)
Tax liabilities	41,142	27,150	(769)	14,761
Accrued expenses and deferred income	3,607	4,475	-	(868)
Payables due to directors and statutory auditors	2,437	2,813	-	(376)
Other liabilities	18,411	24,559	(206)	(5,942)
Other current liabilities	**116,112**	**101,035**	**(2,728)**	**17,805**

"Due to employees" includes accrued amounts that were unpaid at the end of the reporting period. *"Tax liabilities"* primarily relate to value added tax payable and direct taxes.

"Other liabilities" include Euro 9.4 million in payables due to customers for advances and credit notes issued in the copper sector and Euro 1.3 million in payables due to former lease customers from Intek and relate to sums received by way of advance from customers and not offset with credit entries.

The *"Payables due to directors and statutory auditors"* refer to the Parent and includes Euro 1,900 thousand for the end of term indemnity which had previously existed for the Chairman.

4.22. Deferred tax assets and liabilities

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change in consolidation scope*	*Other changes*
Deferred tax assets	54,766	67,951	(1,441)	(11,744)
Deferred tax liabilities	(90,488)	(101,012)	3,461	7,063
Deferred tax assets and liabilities	**(35,722)**	**(33,061)**	**2,020**	**(4,681)**

The Parent has not recognised deferred tax on the temporary difference relating to the financial investment in the subsidiary KME AG in compliance with paragraph 39 of IAS 12.

At the end of the reporting period, the Group did not recognise deferred tax assets on previous tax losses amounting to Euro 247.9 million. The detail, as at 30 June 2014, of the tax losses by which the deferred tax assets subdivided per company were "recognised" and "unrecognised" are shown below:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Intek Group SpA	3,177	-
Dalian Dashan Crystallizer Co. Ltd.	-	202
Dalian Dashan Heavy Machinery Co. Ltd	195	152
Greenrecycle Srl	2,269	2,269
I2 Capital Partners SGR SpA	407	407
I2 Real Estate	1,618	1,618
KME France S.A.	-	4,336
KME Italy SpA	40,727	40,727
KME Verwaltungs- u. Dienstleistungs-GmbH	-	228
KME Yorkshire Ltd	5,419	5,209
Rede Immobiliare	1,618	1,618
(a) recognised tax losses carried forward	**55,430**	**56,766**
FEB - Ernesto Breda	59,233	59,233
Greenrecycle Srl	4,852	4,663
Immobiliare Agricola Limestre	1,058	1,019
KME AG	3,400	954
KME France S.A.	51,245	49,033
KME Germany Bet Gmbh	2,424	1,838
KME Italy SpA	48,911	71,927
KME Mould Mexico SA de C.V.	162	124
KME Mould Service Australia PTY Ltd	941	804
KME Recycle S.r.l.	1,815	1,787
KME Spain SA	64,919	63,708
KME Yorkshire Ltd	8,909	8,565
(b) unrecognised tax losses carried forward	**247,869**	**263,655**
Tax losses carried forward (a) + (b)	**303,299**	**320,421**

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

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	30 Jun. 2014	*31 Dec. 2013*	*30 Jun. 2014*	*31 Dec. 2013*
Property, plant and equipment	691	6,533	(44,253)	(47,833)
Intangible assets	248	101	-	-
Investment property	978	86	(1,260)	(1,390)
Inventories	5	189	(38,984)	(46,606)
Trade receivables	7,718	7,024	(1,710)	(1,789)
Other current receivables and assets	46	51	(310)	-
Current loan assets	351	406	(3,648)	(2,660)
Employee benefits	22,224	29,753	-	(136)
Non-current loans and borrowing	-	857	-	-
Other non-current liabilities	1,439	1,986	(71)	(113)
Provisions for risks and charges	1,899	1,320	-	-
Current loans and borrowing	2,644	989	(139)	(263)
Trade payables	916	983	-	-
Other current liabilities	788	1,542	(113)	(222)
Deferred tax assets on equity items	-	154	-	-
Deferred tax assets on tax losses carried forward	14,819	15,977	-	-
Total	**54,766**	**67,951**	**(90,488)**	**(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.

4.23. Related party transactions

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

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

The details of the assets and liabilities and of the costs and revenue with related parties are as follows:

(in thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial assets*	*Loans and borrowings*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in liquidation	-	9	-	-	(4,684)	-	-
Bredafin innovazione SpA in liquidation	-	9	2	-	(52)	-	-
Cobra AT	-	-	-	1,561	-	-	-
Culti Srl	-	51	-	1,398	-	(2)	-
ErgyCapital SpA	-	374	-	3,958	-	-	-
Europa Metalli Trèfimétaux UK Ltd	-	-	-	-	(499)	-	-
Evidal Schmoele mbH	-	45	-	-	-	-	-
FEB Investimenti Srl	-	3	-	15	-	-	-
Irish Metal Industries Ltd	-	17	-	-	-	-	-
KME America Inc.	-	73	-	-	(256)	(201)	-
KME America Marine Tube	-	700	-	916	-	-	-
KME Asia Pte Ltd	-	19	-	-	-	-	-
KME Connector Stolberg	-	28,455	-	-		(1,269)	
KME Czech Republic	-	-	-	-	-	(8)	-
KME Hungaria Szinesfem Kft.	-	-	-	-	-	(10)	-
KME India Private Ltd.	-	467	-	-	-	(6)	-
KME Kalip Servis Sanayi	-	-	-	820	-	-	-
KME Marine Serv America LLC	-	-	-	-	-	(11)	-
KME Metals (Shanghai) Trading Ltd	-	131	-	-	-	-	-
KME Polska Sp. Zo.o.	-	-	-	-	-	(53)	-
KME Solar Italy Srl	-	253	-	487	-	-	-
KME Suisse S.A.	-	-	-	-	-	(39)	-
Metalcenter Danmark AS Div. Generic	-	1,683	-	-	-	-	-
N.V. KME Benelux SA	-	-	-	-	-	(67)	-
New Cocot Srl in liquidation	175	-	-	-	-	-	-
P.H.M. Pehamet Sp.Zo.o.	-	2,099	-	545	-	-	-
Progetto Ryan 2 Srl in liquidation	-	100	-	-	-	-	-
Quattroduedue Holding BV	-	8	8	-	-	-	-
Quattroduedue SpA	-	27	-	1,178	-	-	-
Società Agr. San Vito Biogas Srl	-	185	-	-	-	-	-
Special Steel SE Asia Singapore	-	1,088	-	-	-	-	-
Ste Haillane de Participations SA	-	-	-	-	(18)	-	-
XT Limited	-	-	-	-	(35)	-	-
Directors' and Statutory Auditors	-	-	-	-	-	-	(2,437)
	175	**35,796**	**10**	**10,878**	**(5,544)**	**(1,666)**	**(2,437)**

(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*
Breda Energia SpA in liquidation	-	8	-	-	-	(47)
Bredafin innovazione SpA in liquidation	-	8	-	-	-	(1)
Cobra A.T. SpA	-	-	-	-	31	-
Culti Srl	-	-	-	-	49	-
Ergy Capital SpA	-	-	-	-	69	-
KME America Holding	-	-	-	(62)	-	-
KME America Inc.	-	10	-	(461)	-	(4)
KME America Marine Tube	-	-	-	-	-	-
KME Chile Limitada	-	-	(24)	(1)	-	-
KME Connector Stolberg	55,300	587	(20,963)	(30)	8	-
KME India Private Ltd.	149	-	-	(24)	-	-
KME Kalip Servis Sanayi	-	-	-	(5)	19	-
KME Marine Serv America LLC	-	-	-	(37)	-	-
KME Metals (Shanghai) Trading Ltd	-	-	-	(210)	-	-
KME Polska Sp. Zo.o.	-	-	-	(259)	-	-
KME Solar Italy Srl	30	-	-	-	12	-
KME Suisse S.A.	-	-	-	(319)	-	-
Metalcenter Danmark AS	6,547	12	-	-	38	-
N.V. KME Benelux SA	-	-	-	(360)	-	-
P.H.M. Pehamet Sp.Zo.o.	3,139	49	-	-	29	-
Quattroduedue SpA	-	8	-	-	8	(45)
Società Agr. San Vito Biogas Srl	-	-	-	-	38	-
Shareholdings’ adjustments	-	-	-	-	-	(605)
	65,165	**682**	**(20,987)**	**(1,768)**	**301**	**(702)**

Personnel expense indicated as due to related parties in the statement of 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" during the first half of 2014.

5.1. *Revenue from sales and services*

An analysis of revenue by geographical segment is shown below:

(millions of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Germany	*296*	*292*	*4*	*1.37%*
Italy	*191*	*211*	*(20)*	*-9.48%*
France	*113*	*139*	*(26)*	*-18.71%*
United Kingdom	*60*	*80*	*(20)*	*-25.00%*
Spain	*38*	*48*	*(10)*	*-20.83%*
Other European countries	*260*	*293*	*(33)*	*-11.26%*
Total Europe	958	1,063	(105)	-9.88%
Rest of the world	140	177	(37)	-20.90%
Total revenues	**1,098**	**1,240**	**(142)**	**-11.45%**

Revenue, net of raw material costs, as shown in the "Directors' Report" decreased by Euro 23.4 million from Euro 352.4 million in the first half of 2013 to Euro 329.0 million in the first half of 2014.

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.

This decrease was influenced by the lower average prices for raw materials.

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

5.2. *Purchases and changes in raw materials*

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Purchase of raw materials and consumables	(767,649)	(920,798)	153,149	-16.63%
(Gains)/losses on LME trading	5,669	14,774	(9,105)	-61.63%
Fair value on LME and metal purchase/sale contracts	2,427	14,047	(11,620)	-82.72%
Changes in raw materials and consumables	(52,161)	(39,689)	(12,472)	31.42%
Purchases and changes in raw materials	**(811,714)**	**(931,666)**	**119,952**	**-12.88%**

5.3. *Other operating income*

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Gains on the sale of non-current assets	27,374	1,088	26,286	n.a.
Insurance claim	1,194	1,128	66	5.85%
Rental income	941	1,101	(160)	-14.53%
Fund management fees	749	771	(22)	-2.85%
Government grants	560	901	(341)	-37.85%
Cafeteria	333	309	24	7.77%
Other	24,195	6,621	17,574	n.a.
Other operating income	**55,346**	**11,919**	**43,427**	**364.35%**

One part of the “*Gains on the sale of non-current assets*,” of Euro 24.4 million and the relative machinery contributed in the Golden Dragon transaction, and a part of the other operating income of Euro 17.7 million, relative to the disposal of the sanitary tube operation in Great Britain, were indicated as “non-recurring income and expenses” in the “Reclassified consolidated income statement” presented in the Directors’ Report.

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

5.4. *Personnel expense*

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Wages and salaries	(113,551)	(117,275)	3,724	-3.18%
Social security charges	(27,233)	(28,996)	1,763	-6.08%
Cost of stock option	(26)	(148)	122	-82.43%
Other personnel expense	(8,065)	(8,920)	855	-9.59%
Personnel expense	**(148,875)**	**(155,339)**	**6,464**	**-4.16%**

The reduction of personnel expense is related to the reduction of the average number of employees, the change in the consolidation scope following the operations in the UK and China, and to the other cost-containment policies.

“*Other personnel expense*” includes accruals to “defined benefit pension plans” and “post-employment benefits” of Euro 4.9 thousand.

Euro 1.4 million of the above personnel expense relating to the cost of decreasing personnel and reducing hours worked (special temporary government-sponsored lay-off scheme, solidarity agreements and similar arrangements) have been reported under “Non-recurring income/(expense)” in the “Reclassified Consolidated Income Statement" shown in the Directors’ Report.

Average number of employees:

	1st half 2014	*1st half 2013*	*Change*	*Change%*
Executives and whitecollars	1,519	1,641	(122)	-7.43%
	27.87%	27.81%		
Blue collars and special categories	3,932	4,260	(328)	-7.70%
	72.13%	72.19%		
Total employees (average)	**5,451**	**5,901**	**(450)**	**-7.63%**
	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 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, in 2010, for 25,500,000 options overall, which give the beneficiaries the right to subscribe or purchase from the Company an equivalent number of Intek Group SpA ordinary shares at the unit price of Euro 0.295, with a fair value of Euro 0.073 for each option.

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 30 June 2014 is as follows:

No. of options	*30 Jun. 2014*	*31 Dec. 2013*
Options existing as 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	*26,666,667*	*26,666,667*

5.5. Amortisation, depreciation and impairment losses

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Depreciation	(19,740)	(22,544)	2,804	-12.44%
Amortisation	(498)	(1,014)	516	-50.89%
Reversals of prior year impairment losses	1,745	1,185	560	47.26%
Impairment losses on investment property	(156)	(300)	144	-48.00%
Impairment losses	(387)	(53)	(334)	630.19%
Amortisation, depreciation and impairment loss	**(19,036)**	**(22,726)**	**3,690**	**-16.24%**

A part of *"Reversals of prior year impairment losses"* (Euro 1.3 million) has been reported under “Non-recurring income/ (expense)” in the “Reclassified Consolidated Income Statement” shown in the Directors’ Report.

5.6. Other operating costs

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Energy	(33,327)	(37,560)	4,233	-11.27%
Maintenance and repairs	(13,427)	(15,197)	1,770	-11.65%
Insurance premiums	(6,082)	(6,900)	818	-11.86%
Rent paid and operating leases	(4,805)	(5,240)	435	-8.30%
Outsourced production	(12,684)	(14,164)	1,480	-10.45%
Sales logistics and transport	(23,516)	(26,178)	2,662	-10.17%
Commissions	(6,669)	(7,370)	701	-9.51%
Factoring Funding fees	(1,395)	(1,630)	235	-14.42%
Other	(39,638)	(33,075)	(6,563)	19.84%
Other operating costs	**(141,543)**	**(147,314)**	**5,771**	**-3.92%**

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

The item "*Other*" includes (amounts for the first half of 2013 are in brackets):

- "provisions for risks and charges" less releases, if any, totalling Euro 4,246 million (net releases of Euro 3,235 thousand);
- banking services amounting to Euro 1,573 thousand (Euro 2,087 thousand);
- losses on disposals of Euro 430 thousand (Euro 832 thousand);
- accruals to the allowance for impairment amounting to Euro 1,389 thousand (Euro 464 thousand);
- advertising and other business expenses of Euro 2,250 thousand (Euro 2,325 thousand);
- legal consultancy and administrative costs plus fees for company bodies and independent auditors of Euro 6,244 thousand (Euro 5,734 thousand);
- waste disposal costs of Euro 2,271 thousand (Euro 2,056 thousand);
- travel and company cafeteria costs amounting to Euro 2,730 thousand (Euro 2,963 thousand);
- phone and telecommunication costs amounting to Euro 754 thousand (Euro 806 thousand);
- external staff expenses of Euro 1,941 thousand (Euro 2,139 thousand);
- information technology consulting of Euro 1,265 thousand (Euro 977 thousand);
- other taxes of Euro 4,447 thousand (Euro 4,708 thousand).

A part of "*Other operating costs*" (Euro 3.0 million) has been recognised under "Non-recurring income/ (expense)" in the "Reclassified Consolidated Income Statement" shown in the "Directors' Report".

5.7. Financial income and expense

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Interest income	*351*	*613*	*(262)*	*-42.74%*
Exchange rate gains	*459*	*3,091*	*(2,632)*	*-85.15%*
Dividends	*2*	*2*	*-*	*0.00%*
Other financial income	*8,546*	*21*	*8,525*	*40595.24%*
Financial income	9,358	3,727	5,631	151.09%
Interest expense	*(8,012)*	*(8,435)*	*423*	*-5.01%*
Exchange rate losses	*(980)*	*(2,880)*	*1,900*	*-65.97%*
Other financial expense	*(8,203)*	*(851)*	*(7,352)*	*863.92%*
Financial expense	(17,195)	(12,166)	(5,029)	41.34%
Net financial expense	**(7,837)**	**(8,439)**	**602**	**-7.13%**

The charges relative to the 2012-2017 Intek Group Debt securities and to the 2012-2017 Intek Group Bonds for an overall sum of Euro 2,694 thousand including amortisation due to issue discounts are included under the item *"Interest expense"*.

The item "*Other financial assets*" includes the effect of the increment of the fair value of Cobra AT shares recognised under "*Financial assets held for sale.*"

A part of "*Financial expense*" (Euro 4.5 million) has been reported under "Non-recurring income/(expense)" in the "Reclassified Consolidated Income Statement "shown in the Directors' Report.

5.8. Share of profit (loss) of equity-accounted investees

The profit of Euro 961 thousand regards the pro-quota results of the period for the following investees:

- Cobra A.T. SpA amounting to a profit of Euro 1,709 thousand;
- ErgyCapital SpA amounting to a loss of Euro 748 thousand.

5.9. Current and deferred taxes

(in thousands of Euro)	*1st half 2014*	*1st half 2013*	*Change*	*Change%*
Current taxes	(10,419)	(9,332)	(1,087)	11.65%
Deferred taxes	(766)	7,526	(8,292)	-110.18%
Current and deferred taxes	**(11,185)**	**(1,806)**	**(9,379)**	**519.32%**

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

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*1st half 2014*	*1st half 2013*
Profit (loss) before tax	26,713	(10,186)
Theoretical tax charge (tax rate used 31.4%)	**(8,388)**	**3,198**
Reconciliation:		
Use of different tax rates:	1,443	(236)
Other effects:		
- Non-deductible (expenses) and non-taxable income	3,200	351
- Tax losses – Deferred taxes not set aside	(3,994)	(3,810)
Use of tax losses	-	(863)
- Impairment losses on investments and securities	(2,512)	-
Current taxes for previous years	(373)	259
- Taxes on profit (loss) of equity-accounted investees	302	(302)
- Other	(863)	(403)
Taxes recognised in profit or loss	**(11,185)**	**(1,806)**

6. <u>Other information:</u>

6.1. Financial instruments by categories

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*	*Change*
Financial assets recognised at fair value through profit or loss	45,159	36,644	8,515
Held-to-maturity investments	-	-	-
Loans and receivables	377,486	288,109	89,377
Available-for-sale financial assets	-	-	-
Financial liabilities recognised at fair value through profit or loss	(11,971)	(8,286)	(3,685)
Financial liabilities at amortised cost	(1,068,744)	(1,064,853)	(3,891)
Financial instruments by categories			

6.2. Financial instruments by financial statements item

Financial instruments and reconciliation with financial statements items as at 30 June 2014:

(in thousands of Euro)	*Total*	*Measured at amortised cost*	*Measured at fair value*	*Outside the scope of IFRS 7*
Investments	103,394	-	-	103,394
Other non-current assets	6,075	6,075	-	-
Non-current loan assets	15,102	3,367	11,735	-
Trade receivables	157,962	157,962	-	-
Other current receivables and assets	47,303	35,573	-	11,730
Current loan assets	127,200	93,776	33,424	-
Cash and cash equivalents	80,733	80,733	-	-
Total financial assets	**537,769**	**377,486**	**45,159**	**115,124**
Non-current loans and borrowings	(111,988)	(111,988)	-	-
Other non-current liabilities	(9,745)	(9,745)	-	-
Current financial loans and borrowings	(374,783)	(362,812)	(11,971)	-
Trade payables	(509,229)	(509,229)	-	-
Other current liabilities	(116,112)	(74,970)	-	(41,142)
Total financial liabilities	**(1,121,857)**	**(1,068,744)**	**(11,971)**	**(41,142)**

6.3. Notional amount of financial instruments and derivatives

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

(in thousands of Euro)	*Expiry*			*Total*	*Total*
	within 1 year	*from 1 to 5 years*	*Over 5 years*	*30 Jun. 2014*	*31 Dec. 2013*
LME and metal purchase/sale contracts	684,155	-	-	684,155	568,390
Forward currency contracts	275,770	-	-	275,770	207,411
Interest rate swaps (IRS)	400,000	-	-	400,000	-
Notional amount	**1,359,925**	**-**	**-**	**1,359,925**	**775,801**

The net change of the fair value recognised through profit or loss for LME transaction and metal purchase/sale contracts was positive by Euro 8.5 million (positive by Euro 14.0 million in the first half of 2013).

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

6.4. Exposure to credit risk and impairment losses

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

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

(in thousands of Euro)	*Gross carrying amount*	*Impairment losses at 30 June 2014*	*Net carrying amount*
Not yet due	86,959	(116)	86,843
Up to 60 days past due	18,543	(247)	18,296
61 to 120 days past due	3,545	(906)	2,639
121 days to 1 year past due	3,819	(2,021)	1,798
over 1 year past due	14,833	(10,910)	3,923
Trade receivables	**127,699**	**(14,200)**	**113,499**

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

Balance as at 31 December 2013	**14,164**
Translation differences	(23)
Impairment losses of the year	1,241
Uses	(935)
Reversal of impairment losses	(247)
Reclassifications	-
Balance as at 30 June 2014	**14,200**

6.5. Currency risk

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

30 June 2014	*USD*	*GBP*	*CHF*	*SEK*	*EUR*
Trade receivables	16,795	250	(3)	382	(11)
Other current receivables and assets	4	-	-	-	48
Current loan assets	8,871	1,910	1,671	3,074	(69)
Cash and cash equivalents	3,863	1,810	1,132	3,455	672
Loans and borrowings	360	41	66	45	-
Trade payables	94,732	759	14	3,845	87
Other current liabilities	18	66	-	7	-
Gross amount recognised in the statement of financial position	**(65,577)**	**3,104**	**2,720**	**3,014**	**553**
Projected sales	35,084	5,953	953	36,533	-
Projected purchases	37,632	409	1	2,207	-
Gross amount	**(68,125)**	**8,648**	**3,672**	**37,340**	**553**
Forward currency contracts	(65,404)	9,112	3,227	38,913	-
Net amount	**(2,721)**	**(464)**	**445**	**(1,573)**	**553**

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

Currency risk exposure for the previous financial year:

31 Dec. 2013	*USD*	*GBP*	*CHF*	*SEK*	*EUR*
Trade receivables	9,619	(213)	-	486	(11)
Other current receivables and assets	4	-	-	-	-
Current loan assets	11,095	1,302	1,265	3,942	(58)
Cash and cash equivalents	3,604	604	529	5,767	381
Loans and borrowings	301	19	20	-	-
Trade payables	70,969	901	30	4,018	130
Other current liabilities	71	76	1	8,578	-
Gross amount recognised in the statement of financial position	**(47,019)**	**697**	**1,743**	**(2,401)**	**182**
Projected sales	37,396	8,370	1,272	28,797	250
Projected purchases	23,180	142	280	1,482	398
Gross amount	**(32,803)**	**8,925**	**2,735**	**24,914**	**34**
Forward currency contracts	(29,426)	11,163	2,505	50,476	(6,239)
Net amount	**(3,377)**	**(2,238)**	**230**	**(25,562)**	**6,273**

6.6. Sensitivity analysis

A 10% appreciation (depreciation) of the Euro against the currencies in the above table would have caused an increase (decrease), at 30 June 2014, in equity and an improvement (deterioration) of the profit for the period of Euro 1.2 million. The analysis was made assuming that all other variables remained constant, in particular interest rates. The same analysis for 30 June 2013 would have increased (decreased) profit and equity by Euro 5.5 million.

6.7. Interest rate risk

The Group’s interest rate structure of interest-bearing financial instruments as at 30 June 2014 was as follows:

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
Financial assets	2,126	1,615
Financial liabilties	(78,441)	(80,997)
Fixed-rate instruments	**(76,315)**	**(79,382)**
Financial assets	96,968	80,365
Financial liabilties	(347,934)	(376,623)
Variable-rate instruments	**(250,966)**	**(296,258)**

6.8. Sensitivity analysis of the cash flows of floating rate financial instruments

A 50 basis point (bs) increase (or decrease) of interest rate as at the reference date of this financial information of the copper sector would have produced a decrease (increase) in equity and results of approximately Euro 1.3 million (Euro 0.75 million). 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. Sensitivity analysis of the fair value of fixed rate instruments and of LME contracts

The Group had no fixed rate financial assets or liabilities at fair value through profit or loss or any derivatives (interest rate swaps) designated as hedges. As a result, any changes in the interest rates at the end of the reporting period would not have had an effect on profit or loss.

The Group uses LME contracts (commodities forward contracts traded on the London Metal Exchange) to hedge against fluctuations in the raw materials prices, particularly copper. These instruments are measured at fair value through profit or loss. A Euro 100 per tonne increase in the price of copper at the end of the reporting period would have resulted in a decrease in equity and a deterioration of profit for the period of Euro 5.2 million. The same effect on financial statements figures at 30 June 2013 would have had a negative impact of Euro 6.2 million.

6.10. Liquidity risk

Liquidity risk can arise from the inability to raise financing for operating activities as and when required. The inflows and outflows and the liquidity of Group companies are monitored and coordinated by Group Treasury. The flexibility of existing credit lines meant that the Group was able to solve problems relating to covering the temporary cash shortfalls caused by increased raw materials prices.

6.11. Fair value and carrying amount

Pursuant to IFRS 7 para. 25 we declare that the carrying amounts of the financial assets and liabilities recognised in these consolidated financial statements do not diverge from their fair value.

6.12. Fair value hierarchy

IFRS 7, para. 27A requires financial instruments recognised at fair value in the statement of financial position to be classified with reference to a hierarchy of levels, based on the significance of the inputs used to determine fair value.

The standard stipulates three levels:

Level 1 **-** listed prices on an active market for the asset or liability to be measured;

Level 2 **-** inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;

Level 3 **-** inputs not based on observable market data.

Financial instruments recognised at fair value in the statement of financial position (see reconciliation table), except for “financial assets held for trading” pertaining to Level 1, are all classified as Level 2 of the hierarchy, due to the fact that they all relate to either physical transactions with customers and suppliers, or forward contracts concluded at prices listed on the London Metal Exchange (LME) for the purposes of hedging commodity price risk.

There were no transfers between Levels 1 and 2 and vice versa.

The Group does not use financial instruments that would be classified as Level 3, except for the I2 Capital Partners fund.

6.13. Other financial obligations

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

(in thousands of Euro)	*30 Jun. 2014*	*31 Dec. 2013*
within 1 year	5,361	5,206
from 1 to 5 years	8,152	7,630
due after 5 years	236	319
Minimum irrevocable payments	**13,749**	**13,155**

Purchase commitments relating to property, plant and equipment at the end of the reporting period amounted to Euro 6.0 million. These purchase commitments will expiry within one year.

7. ***Segment reporting***

Pursuant to IFRS 8, we hereby present the segment reporting so as to make it possible to assess the nature and the effects on the financial statements of the activities and the reference economic frameworks. At an operational level, the Intek Group has three segments requiring 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.

(in thousands of Euro)	*Copper*	*Finance*	*Advanced services*	*Holding*	*Group and miscella-neous*	*Total*
External revenue	1,097,512	-	-	22	-	1,097,534
Internal revenue	-	-	-	47	(47)	-
Total segment revenue	**1,097,512**	**-**	**-**	**69**	**(47)**	**1,097,534**
Other operating revenue - external	54,275	1,071	-	-	-	55,346
Other operating revenue - internal	-	370	-	-	(370)	-
Total other segment income	**54,275**	**1,441**	**-**	**-**	**(370)**	**55,346**
Segment profit (loss) before taxes	**23,807**	**(525)**	**7,697**	**(4,266)**	**-**	**26,713**
Total segment assets	**1,614,611**	**144,039**	**64,002**	**60,564**	**(92,230)**	**1,790,986**
Total segment liabilities	**1,362,477**	**55,963**	**10,620**	**105,912**	**(34,553)**	**1,500,419**

The segment activities include goodwill relative to the Copper segment of Euro 118,364 thousand and the Finance segment for Euro 7,437 thousand.

With regard to the impairment testing area, we hereby specify that the Cash Generating Units reflect the organisation of the Group as at 30 June 2014 and is unchanged compared to 31 December 2013. Goodwill was allocated to the operating divisions as indicated above.

The information by geographical areas, if relevant, is shown in the comments referring to the individual items.

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

Reconciliation of the profit of the Parent Intek Group SpA and the profit attributable to owners of the parent for the period ended 30 June 2014

(in thousands of Euro)	*30 Jun. 2014*
Profit for the period of Intek Group SpA	**3,915**
Profit for the period of consolidated companies (1)	11,395
Reversal of impairment losses on investments	(8,000)
Share of profit(loss) of equity-accounted investees	961
Measurement at fair value of financial assets	7,153
Other consolidated items	-
Profit attributable to owners of the Parent	**15,424**
Profit/ (Loss) of subsidiaries 01/01/2014-30/06/2014	
(1) KME AG consolidated profit	12,373
KME Partecipazioni profit	(417)
Loss of other investments	(561)
	11,395

Reconciliation between equity of Intek Group SpA and the equity attributable to owners of the parent at 30 June 2014

(thousands of Euros)	
Parent's Equity including profit for the period	**440,372**
Consolidation reserves	(167,677)
Difference between profit attributable to owners of the parent and Parent's profit for the period	11,509
Equity attributable to owners of the parent including profit for the period	**284,204**
Breakdown of consolidation reserves:	
1) Netting of investments and consolidation entries	(229,156)
2) goodwill arising on consolidation	119,800
3) total comprehensive expense	(58,321)
	(167,677)

<u>Statements on the condensed interim consolidated financial statements pursuant to article 154 *bis*, paragraph 5 of Legislative Decree 58/98 and article 81 *ter* of Legislative Decree 11971 dated 14 May 1999 as subsequently amended and supplemented</u>

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

   of administrative and accounting procedures for the preparation of the Condensed Interim Consolidated Financial Statements for the half year from 1 January 2014 to 30 June 2014.

2. No material findings emerged in this regard.

3. Moreover, they state that:
   3.1 the Condensed Interim Consolidated Financial Statements:
      a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) reflect the balances recorded in the companies' books and accounting records;
      c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer and all the consolidated companies;

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

Milan, 05 August 2014

The Chairman	Manager in charge of financial reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

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

Auditors' report on review of condensed interim consolidated financial statements

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

1 We have reviewed the condensed interim consolidated financial statements of the Intek Group as at and for the six months ended 30 June 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 condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

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

With regard to the corresponding figures included in the condensed interim consolidated financial statements, reference should be made to our reports on the annual consolidated and condensed interim consolidated financial statements of the previous year dated 30 April 2014 and 28 August 2013, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Intek Group as at and for the six months ended 30 June 2014 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 27 August 2014

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit