

# INTEK GROUP

## **INTERIM REPORT ON OPERATIONS AT MARCH 31, 2014 (FIRST QUARTER 2014)**

Meeting of the Board of Directors  
of May 14, 2014

Intek Group SpA  
Registered Office and Administrative Offices:  
20121 Milan - Foro Buonaparte, 44  
Share capital 314,225,009.80 euros fully paid-in  
Tax Identification and Milan  
Company Register No. 00931330583  
[www.itkgroup.it](http://www.itkgroup.it)

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## Corporate Governance and Control Entities

### Board of Directors (term of office ends with the approval of the 2014 financial statements)

<b>Chairman</b>	Vincenzo Manes <sup>B</sup>
<b>Deputy Chairperson</b>	Diva Moriani <sup>B</sup>
	Mario d'Urso <sup>A,C,D</sup>
	Marcello Gallo
	Giuseppe Lignana <sup>A,C,D</sup>
	James Macdonald
	Ruggero Magnoni (1)
	Alberto Pirelli <sup>A,C</sup>
	Luca Ricciardi <sup>A,D</sup>
	Franco Spalla <sup>A</sup>

A. Independent Director

B. Executive Director

C. Member of the Compensation Committee (*Alberto Pirelli, Chairman*)

D. Member of the Control and Risk Committee (*Mario d'Urso, Chairman*)

(1) in office until the Shareholders' Meeting of June 11, 2014

### Board of Statutory Auditors (term of office ends with the approval of the 2014 financial statements)

<b>Chairman</b>	Marco Lombardi
<b>Statutory Auditors</b>	Francesca Marchetti
	Alberto Villani

<b>Alternates</b>	Lorenzo Boni
	Andrea Zonca

<b><u>Corporate Accounting Documents Officer</u></b>	Giuseppe Mazza
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<b><u>Independent Auditors</u></b>	KPMG SpA
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<b><u>Common Representative of Savings Shareholders</u></b>	Pietro Greco
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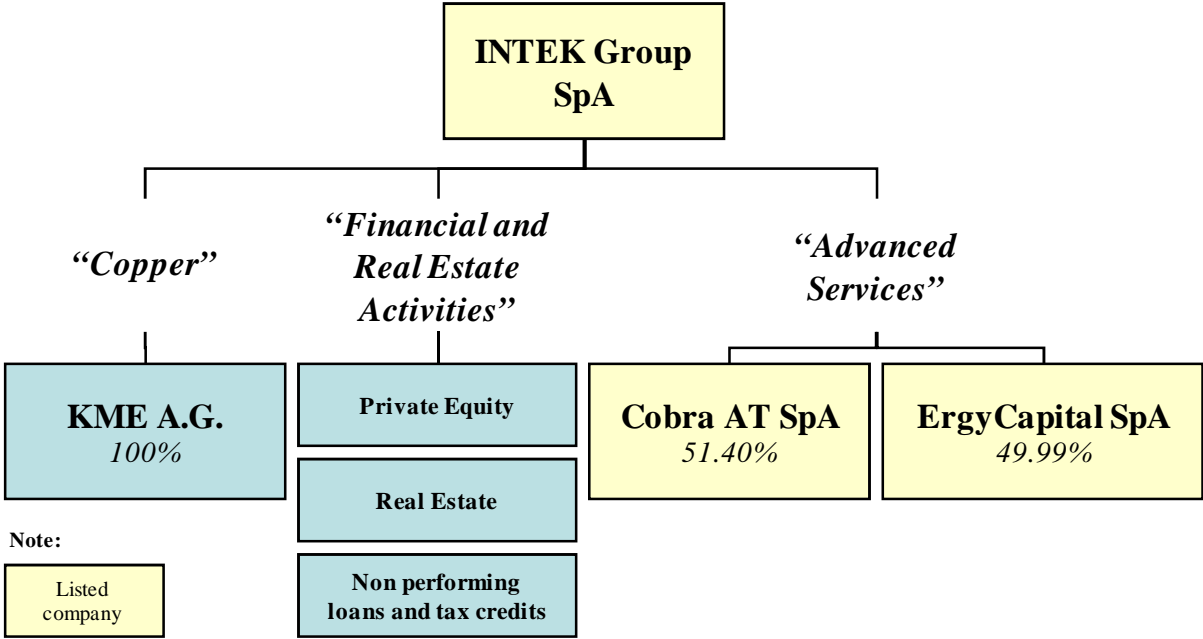
<b><u>Common Representative of the Holders of "2012/2017 Intek Group SpA Bonds"</u></b>	Marco Crispo
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<b><u>Common Representative of the Holders of "2012 – 2017 Intek Group SpA Participatory Debt Financial Instruments"</u></b>	Rossano Bortolotti
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# Interim Report on Operations for the First Quarter of 2014

The chart below provides an overview of the Group’s corporate structure, showing the Company’s investment Sectors, as it resulted from the merger by absorption of Intek SpA into KME Group SpA (which upon the merger changed its name to Intek Group SpA), with the organizations of both companies and the businesses they operated concentrated under a single parent holding company.

## Overview of the Group’s Corporate Structure



The **Investment Sectors** of Intek Group SpA (hereinafter “Intek Group” or the “Company”) are: its traditional “**Copper**” Sector, which includes the production and distribution of copper and copper-alloy semifinished products, is headed by the German subsidiary KME A.G. and continues to represent the Group’s core industrial business; the “**Financial And Real Estate Activities**” Sector, which includes the private equity activities, carried out mainly through the closed end investment fund I2 Capital Partners, and credit management and real estate management; the “**Advanced Services**” Sector, which includes the investment in integrated services to manage the risks entailed by the possession, ownership and use of vehicles and is headed by Cobra A.T. SpA, a company based in Varese with shares traded on the Online Securities Market operated by Borsa Italiana, and the investments in energy from renewable sources and energy conservation, which is headed by ErgyCapital SpA, an investment company based in Rome with shares traded on the Online Securities Market operated by Borsa Italiana.

In its current configuration, Intek Group constitutes a holding company with diversified interests, whose activity is focused on managing the assets and equity investments in its portfolio, driven by a dynamic entrepreneurial approach focused on cash flow generation and on increasing the value of its investment over time, pursuing, if appropriate, divestments that are functional to its new development strategies.

## **Intek Group SpA, the Group's Parent Company**

The configuration adopted by the Company following the abovementioned merger transaction, as a holding company with diversified investments, will cause the Parent Company's separate financial statements to provide an increasingly effective presentation of the new entity's equity, financial position and operating performance.

Intek Group carries out investments with medium/long-term horizons, combining its entrepreneurial approach with a solid financial position, with the aim of redefining a flexible portfolio with shorter investment cycles and faster cash generation.

The maximization of value of the managed assets is pursued by clearly defining the business strategies and monitoring their implementation by subsidiaries, identifying agreements and/or partnership opportunities, realizing the value of specific assets and executing extraordinary transactions for subsidiaries. The policy of maximizing the value of the managed assets, purpose of the holding established at the end of 2012, already produced important results in 2013, particularly in the "Copper" Sector with the agreements reached in China and Great Britain, and will be fully implemented for all Sectors in 2014.

The agreement in China was reached with Golden Dragon Precise Copper Tube Group Inc., China's top operator in the copper sector, to establish a joint venture for the production of connectors, special types of copper-alloy laminates used for electric-cable connections. Under the terms of the agreement, KME AG will convey to the joint venture a production facility in Germany and its industry knowhow, while the Chinese partner will provide the financial resources needed to fund the investments required to build a new plant in Henan Province. The objective of this joint venture is to become the main global operator in this business segment and the only global player with manufacturing activities in China and the ability to supply the main world markets directly.

In the first quarter of 2014, further to recognition of a 50% interest in KDM (HK) Holding Limited, the Group recorded a gross accounting gain of about 50 million euros. However, about half of this gain is being suspended for accounting purposes due to guarantees provided to Golden Dragon regarding the future performance of the German production facility.

The second agreement, signed in October 2013 and concerning Great Britain, involves the sale of the copper plumbing pipe operations located at the Kirkby (Liverpool) plant of KME Yorkshire Ltd to Mueller Europe Limited, a subsidiary of Mueller Industries Inc. (USA). The transaction closed on February 28, 2014 after successful completion of the antitrust procedure. Based on a sales price 18 million British pounds (about 22 million euros), the Group recognized a gross gain of 15 million British pounds (about 18 million euros) and a total financial benefit of about 33 million euros.

At March 31, 2014, the **carrying amount** of the Company's **investments** totaled 514.1 million euros, compared with 512.8 million euros at December 31, 2014, while **net financial debt** amounted to 78.8 million euros, which includes 60.9 million euros for the principal and accrued interest of the debt securities issued in 2012 in connection with the Public Exchange Offers. There were no significant changes in the composition of the investment sectors.

The highlights of Intek Group's statement of financial position are summarized below:

<b>Condensed Separate Statement of Financial Position</b>				
<i>(in thousands of euros)</i>	<i>March 31, 2014</i>		<i>Dec. 31, 2013</i>	
<b>Copper</b>	<b>381,650</b>	<b>74.23%</b>	<b>381,770</b>	<b>74.45%</b>
<b>Financial and Real Estate Activities</b>				
<i>Private Equity</i>	<i>11,840</i>		<i>11,940</i>	
<i>Non operating assets</i>	<i>19,688</i>		<i>19,943</i>	
<i>Real Estate/Other</i>	<i>24,693</i>		<i>24,659</i>	
<b>Total financial and real estate activities</b>	<b>56,221</b>	<b>10.94%</b>	<b>56,542</b>	<b>11.03%</b>
<b>Advanced Services</b>	<b>73,117</b>	<b>14.22%</b>	<b>73,133</b>	<b>14.26%</b>
<b>Other non-current assets/liabilities</b>	<b>3,125</b>	<b>0.61%</b>	<b>1,330</b>	<b>0.26%</b>
<b>Carrying amount of investments</b>	<b>514,113</b>	<b>100.00%</b>	<b>512,775</b>	<b>100.00%</b>
<i>Reclassified net financial debt (net of securities issued)</i>	<i>(17,928)</i>		<i>(17,074)</i>	
<i>2012 – 2017 8% Intek Group SpA Participatory Debt Financial Instruments</i>	<i>(49,535)</i>		<i>(48,469)</i>	
<i>2012 – 2017 8% Intek Group SpA bonds</i>	<i>(11,357)</i>		<i>(11,098)</i>	
<b>Reclassified net financial debt</b>	<b>(78,820)</b>	<b>-15.33%</b>	<b>(76,641)</b>	<b>-14.95%</b>
<b>Total shareholders' equity</b>	<b>435,293</b>	<b>84.67%</b>	<b>436,134</b>	<b>85.05%</b>

The **shareholders' equity** per share was equal to 1.09 euros, in line with the amount at December 31, 2013.

The changes that affected **shareholders' equity** included, in addition to the result for the period (negative by 1.2 million euros), the sale of treasury shares, which produced an increase of 0.4 million euros. At December 31, 2013, Intek Group held 6,230,691 common treasury shares (equal to 1.80% of the total for this class) and 978,543 savings treasury share (equal to 1.95% of the total for this class), for a total carrying amount of 2.5 million euros. In the first three months of this year, following the sale in the open market of 1,134,945 common treasury share, for a consideration of 370,000 euros, the number of savings common shares held decreased to 5,095,746 shares, equal to 1.47% of the share capital for this class.

At March 31, 2014, the **share capital** totaled 314,225,009.80 euros, divided into 345,506,670 common shares and 50,109,818 savings shares. All shares are without par value.

The KME Partecipazioni SpA subsidiary held 2,512,024 Intek Group savings shares (equal to 5.01% of the total for this class), for a carrying amount of 1.0 million euros.

Intek Group's **reclassified net financial position** at March 31, 2014 and a comparison with the data at December 31, 2013 are presented in the table below:

<b>Reclassified Net Financial Position</b>			
<i>(in thousands of euros)</i>		<i>March 31, 2014</i>	<i>Dec. 31, 2013</i>
Cash and cash equivalents		(713)	(930)
Current financial receivables from subsidiaries		(15,072)	(14,770)
Current receivables from subsidiaries for financial guarantees		(3,535)	(4,356)
<b>(A) Net financial assets</b>	<b>(A)</b>	<b>(19,320)</b>	<b>(20,056)</b>
Short-term financial debt		26,052	26,295
Financial debt owed to subsidiaries		15,506	13,931
<b>(B) Short-term financial debt</b>	<b>(B)</b>	<b>41,558</b>	<b>40,226</b>
<b>(C) Short-term net financial position</b>	<b>(A) - (B)</b>	<b>22,238</b>	<b>20,170</b>
Long-term financial debt		-	47
2012 – 2017 Intek Group SpA Participatory Debt Financial Instruments		46,975	46,869
2012 – 2017 Intek Group SpA bonds		10,761	10,726
<b>(D) Long-term financial debt</b>		<b>57,736</b>	<b>57,642</b>
<b>(E) Net financial position</b>	<b>(C) - (D)</b>	<b>79,974</b>	<b>77,812</b>
Non-current receivables from subsidiaries for financial guarantees		-	(47)
Non-current financial receivables from subsidiaries		(482)	(452)
Non-current financial receivables from financial institutions		(672)	(672)
<b>(F) Non-current financial receivables</b>		<b>(1,154)</b>	<b>(1,171)</b>
<b>(G) Reclassified net financial position</b>	<b>(E) + (F)</b>	<b>78,820</b>	<b>76,641</b>

(E) Definition as per CONSOB communication DEM 6064293 issued on July 28, 2006 to implement the CESR recommendations of February 10, 2005.

The **reclassified net financial debt** amounted to 78.8 million euros, which includes 60.9 million euros for the principal and accrued interest of the 2012-2017 Participatory Debt Financial Instruments (PFIs) and the 2012-2017 bonds issued in 2012 in exchange for the common shares tendered in response to the PEOs. The Company's debt held steady at about 15% of the value of its investments and less than one-fifth of its shareholders' equity, showing a solid financial position.

The holding company's **result** at March 31, 2014 was a loss of 1.2 million euros. The Company's income statement for the first three months of 2014 is not truly meaningful because it merely records the evolution over time of operating expenses and of financial expense on the net indebtedness and ordinary financial income, consisting for the most part of the commissions earned on the guarantees provided on behalf of subsidiaries. No significant transactions entailing the divestment of assets that directly affected the holding company were executed during the reporting period nor were any dividends collected from investee companies. Information about the operating performance of these

companies and their business outlook for the coming months is provided in the corresponding sections later in this Report.

The **income statement** provided below was reclassified showing nonrecurring income and expense as a separate line item:

<b>Reclassified Income Statement</b>		
<i>(in thousands of euros)</i>	<i>1<sup>st</sup> quarter 2014</i>	<i>1<sup>st</sup> quarter 2013</i>
Service revenue	29	67
Net operating expenses	(910)	(788)
Stock option costs	(13)	(41)
Net financial income (expense)	(330)	(367)
<b>Result before taxes</b>	<b>(1,224)</b>	<b>(1,129)</b>

The cash flows for the first three month of 2014 are summarized below:

<b>Statement of Cash Flows – Indirect Method</b>		
<i>(in thousands of euros)</i>	<i>1<sup>st</sup> quarter 2014</i>	<i>1<sup>st</sup> quarter 2013</i>
<b>(A) Cash and cash equivalents at the beginning of the period</b>	<b>930</b>	<b>10,575</b>
Result before taxes	(1,224)	(1,129)
Depreciation and amortization	25	23
Impairment losses/(Reversals of impairment losses) of current/non-current financial assets	28	-
Change in provisions for pensions, post-employment benefits and stock options	17	50
Change in provisions for risks and charges	(7)	(306)
(Increase)/Decrease in current receivables	234	2,956
Increase/(Decrease) in current payables	(1,438)	(1,152)
<b>(B) Cash flow from operating activities</b>	<b>(2,365)</b>	<b>442</b>
(Increase) in non-current intangible assets and property, plant and equipment	(1)	(2)
(Increase)/Decrease in investments in associates	6	-
Increase/Decrease in other non-current assets/liabilities	(194)	(200)
<b>(C) Cash flow from investing activities</b>	<b>(189)</b>	<b>(202)</b>
(Purchase) Sale of treasury shares	372	-
Increase/(Decrease) in current and non-current financial payables	(2,110)	(22,664)
(Increase)/Decrease in current and non-current financial receivables	4,075	22,385
<b>(D) Cash flow from financing activities</b>	<b>2,337</b>	<b>(279)</b>
	<b>(B) + (C)</b>	
<b>(E) Change in cash and cash equivalents</b>	<b>+ (D)</b>	
	<b>(217)</b>	<b>(39)</b>
	<b>(A) + (E)</b>	
<b>(F) Cash and cash equivalents at the end of the period</b>	<b>713</b>	<b>10,536</b>



As for the **foreseeable business outlook**, the Company expects to continue earning income generated by fees for financial guarantees provided in behalf of subsidiaries and close divestment transactions involving former Intek assets. For information about the operating performance of the investee companies, please see the projections provided later in this Report regarding trends in the sectors in which the Group operates.

## **Operating Performance in the Various Investment Sectors**

### **“Copper” Sector**

The “Copper” Sector, which includes the production and distribution of copper and copper-alloy semifinished products, is headed by the German subsidiary **KME A.G.** and represents the core industrial business of the Intek Group.

In the Group’s target markets, demand for copper and copper-alloy semifinished products continued to be conditioned by a level of economic activity characterized by still moderate and uneven growth rates, despite strongly expansionary monetary policies in most of the more advanced countries.

In the early months of the current year, the improvement in economic conditions was most pronounced in the United States, now that the effect of inclement winter weather has ended, and the United Kingdom and, to a lesser degree, in Japan. In the emerging economies, while a recovery got under way in India, the growth rate showed signs of slowing in China and Brazil and in Russia the already fragile economic environment is being adversely affected by geopolitical tension.

In the Eurozone, the recovery in production activity, still very modest thus far, was driven by the positive contribution of international trade and an improvement in spending for capital goods, while consumption was virtually flat; an indication of the persisting presence of significant uncertainty in the EU economy is the pronounced decline in inflation rates. The German economy was the one that benefited most from the new trend, with less robust recoveries in France and Italy.

As described in the Report on Operations for the 2013 reporting year, in response to this challenging macroeconomic scenario, which aggravated the structural production overcapacity in some industries with a resulting increase in competitive pressure, the “Copper” Sector’s operating units strengthened their operating efficiency and organizational flexibility, while at the same time maximizing the value of its businesses, with the aim of increasingly focusing their resources on products with greater value added and more rapidly growing markets.

The goal of this strategic approach is to eliminate non-core activities that are either too small or not competitive and reduce complexity, focusing on cash flow generation and identifying solutions, which may include agreements or partnerships, to spur growth in those areas that are currently unable to deliver an acceptable return on invested resources.

Agreements recently reached in China and Great Britain are consistent with this approach; the first one involves the construction of a facility to produce laminates for connectors in Henan Province, while the second one resulted in the sale of the copper plumbing pipe operations located at the Kirkby (Liverpool) plant and the concentration of resources on the commercial operations carried out in the U.K. market by the other businesses of the KME Group (laminates, bars and industrial tubing).

As for market trends during the first three months of the current year, demand for **copper and copper-alloy semifinished products in the construction industry** continues to be characterized by

the underlying weakness that persisted throughout 2013. Sales volumes of laminates, which previously had been adversely affected by particularly inclement weather in Northern Europe, improved slightly compared with the levels in the previous year; weak demand continued to nullify the positive effect generated by the increase in value added achieved with an appropriate pricing policy and an incisive program to promote innovative solutions for the home building and home furnishing businesses.

Unit sales of tubing for the construction industry declined, but the policy pursued by the Group succeeded in protecting price levels.

The trend in demand for **copper and copper-alloy semifinished products in the industrial sector** confirmed the earlier signs of greater stability, albeit not in all segments, benefiting both industrial laminates and industrial tubing.

Sales of specialty products continued at the levels reached in 2013, showing that economic activity in the main emerging countries has been holding steady.

As for the sector's overall economic performance, the programs implemented at the manufacturing and commercial level consolidated their positive effect on costs, which, however, was not sufficient to offset the impact of a 4.9% drop in revenue, net of raw materials. In the first quarter of 2014, operating profitability declined by 12.0% compared with the same period last year, due in part to a lower contribution generated by optimizing raw material use caused by the reduction in market availability of scrap metal that already affected the second half of last year; however, profitability did improve compared with the last quarter of 2013.

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**Financial Highlights of the Copper Sector**

<i>(n millions of euros)</i>	<i>3/31/14</i>	<i>3/31/13</i>
<b>Revenue</b>	<b>558.5</b>	<b>626.1</b>
<b>Revenue (net of raw materials)</b>	<b>171.0</b>	<b>179.9</b>
<b>EBITDA</b>	<b>14.7</b>	<b>16.7</b>
<b>EBIT</b>	<b>4.6</b>	<b>6.0</b>
<b>Profit/(Loss) before nonrecurring items</b>	<b>0.6</b>	<b>1.0</b>
<i>Nonrecurring income/(expense)</i>	<i>38.7</i>	<i>(2.9)</i>
<i>Impact of IFRS inventory measurement</i>	<i>(7.7)</i>	<i>(4.3)</i>
<b>Consolidated profit/(loss) before taxes</b>	<b>31.7</b>	<b>(6.3)</b>
<b>Net debt</b>	<b>187.4 (31,03,2014)</b>	<b>264.0 (31,12,2013)</b>
<b>Shareholders' equity(*)</b>	<b>163.3 (31,03,2014)</b>	<b>132.4 (31,12,2013)</b>

(\*) *Shareholders' equity does not include 109.8 million euros of goodwill allocated to the Copper Sector in Intek Group's consolidated financial statements.*

**Consolidated revenue** totaled 558.5 million euros in the first quarter of 2014, for a decrease of 10.8 % compared with the 626.1 million euros reported in 2013. This contraction reflects the impact of lower average prices for raw materials. Net of the value of raw materials, revenue decreased by 4.9%, falling from 179.9 million euros to 171.0 million euros; a decrease in value added resulting from a reduced market availability of scrap metal was also a negative factor.

At 14.7 million euros, **EBITDA** were lower than in 2013, when they totaled 16.7 million euros (-12.0%). Personnel expense and other operating expenses decreased by 3.3% and 5.2%,

respectively, confirming the positive effect of the efficiency and flexibility programs adopted in response to a drop in production, thanks in part to the agreements reached with the labor unions, which made it possible to avoid employee terminations through the use of social safety-net programs and variable performance bonuses. As mentioned earlier in this Report, the Sector's profitability in the first quarter of 2014 was affected by the compression of profit margins resulting from a reduced optimization of raw material use caused by lower market availability of scrap metal. The ratio of EBITDA to revenue net of raw materials declined from 9.3% to 8.6% in 2014.

**EBIT** totaled 4.6 million euros (6.0 million euros in 2013).

The **profit before nonrecurring items** amounted to 0.6 million euros (1.0 million euros in 2013).

The Copper Sector reported a **consolidated profit before taxes** of 31.7 million euros (loss of 6.3 million euros in 2013) due to the gains realized on the sale of the plumbing pipe operations in Great Britain and divestment of the German operations in the connector area, conveyed to the Chinese joint venture described above.

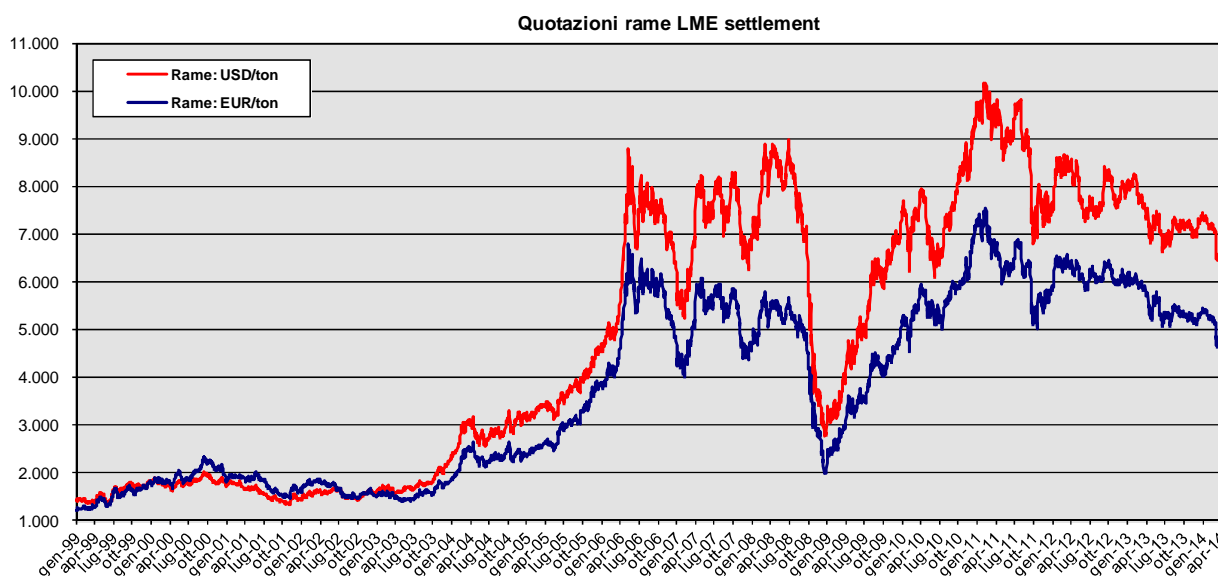
At March 31, 2014, the **net financial position**, while negative by 187.4 million euros, improved compared with net financial debt of 264.0 million euros reported at the end of December. The return of working capital to normal levels, compared with the end of December, the reduction of the price of raw materials and, lastly, a positive financial effect of about 20 million euros already realized on the sale of the plumbing pipe operations in Great Britain are the reasons for the decrease in indebtedness.

At the end of 2013, the Group began negotiations with the bank pool, GE Commercial Finance and Mediofactoring to renew the respective expiring agreements until July 2016. Thus far, all financial institution confirmed their willingness to renew the existing credit lines on substantially the same terms and the respective credit authorization processes are at an advanced stage. GE Commercial Finance has already communicated its official approval for the renewal of its agreement

As for the **business outlook**, the progress made in terms of cost dynamics thanks to the implementation of programs to streamline the Sector's organization and manufacturing system, justify positive expectations for the full-year operating performance of the Copper Sector of the Intek Group, based on expectations of a continuation of more favorable market conditions and an increased availability of scrap metal, the lack of which adversely affected profit margins in recent quarters.

In the first three months of 2014, the **price of raw copper**, which is the main metal used in the Group's semifinished products, was lower on average than in the same period last year, showing a decrease of 11.2% when stated in U.S. dollars (from USD 7,932/ton to USD 7,041/ton) and of 14.4% when stated in euros (from EUR 6,006/ton to EUR 5,142/ton). Looking at price trends, average copper prices were lower in the first quarter of 2014 than in the fourth quarter of 2013, decreasing by 1.6% in US dollars (from USD 7,153/ton to USD 7,041/ton) and by 2.2% in euros (from EUR 5,256/ton to EUR 5,142/ton).

In April 2014, the price of copper continued to decline, averaging USD 6,671/ton, equal to EUR 4,830/ton.



### **Financial and Real Estate Activities Sector**

This Sector includes the activities originally headed by Intek SpA and its subsidiaries. Intek Group continues to implement programs to realize the potential value of these assets and invest in transactions involving special situations, leveraging the significant expertise it has developed in composition with creditors proceeding and bankruptcy reorganizations.

### **Private Equity Activities**

In the first quarter of 2014, there were no significant new developments concerning the I2 Capital Partners Fund (the "Fund") which continued to manage the following investment portfolio:

- Nuova GS Srl – Investment in the Gruppo Venturini;
- Nuovi Investimenti SIM SpA;
- Isno 3 Srl – Festival Crociere Bankruptcy;
- Isno 4 Srl – OP Computers Bankruptcy;
- Non-performing loans (Safim Factor SpA in Lca and Safim Leasing SpA in Lca);
- Alitalia.

From the beginning of its activity to March 31, 2014, the Fund issued contribution requests for a total of 121.0 million euros used to carry out investments and cover operating expenses.

At March 31, 2014, executed investments totaled 94.2 million euros, before completed divestments. Investments outstanding as of the same date amounted 18.2 million euros, consisting almost exclusively of equity investments. As of the writing of this Report, the Fund has distributed to its investors a total of 72.8 million euros.

\* \* \*

### **Special Situation Activities**

Early in 2014, FEB – Ernesto Breda SpA (“FEB”) assigned some corporate income tax (IRES) refunds receivable for a face amount of 11.2 million euros. The assignment was carried out in two tranches, generating liquidity of 8.2 million euros, with the possibility of additional proceeds of up to 0.6 million euros from the first assigned tranche (amounting to 4.1 million euros), depending on the timing of the refunds by the Revenue Agency. This transaction already generated an economic benefit of 1.0 million euros recognized in 2013 for the recovery of the value of the assigned receivables.

\* \* \*

### **Real Estate Activities**

Work continued on realizing the potential value of other properties in the investment portfolios of Group companies.

\* \* \*

### **Advanced Services Sector**

In the **Advanced Services Sector**, with its investment in **COBRA AT**, a publicly traded company, the Intek Group broadened its activity through one of Europe’s top operators in the delivery of integrated services to manage the risks entailed by the possession, ownership and use of vehicles through the deployment of information and satellite technology.

The Cobra Group operates in two main areas of activity: (i) “Electronic Systems,” which encompasses the design, development, production and marketing of such electronic systems as antitheft components and systems, support systems for low speed maneuvers and online boxes to activate the services provided by the other business unit; and (ii) “Services,” which includes the design, management and delivery of services based on the geolocation of vehicles for the purpose of providing both Stolen Vehicle Recovery (SVR) services, aimed at locating and recovering stolen vehicles, and Smart Insurance services, designed to develop customized insurance rate packages, as well as vehicle management services provided by Cobra Italia and Cobra Telematics Car Services España.

In comparison with the same period last year, the operating results for the first quarter of 2014 show a slight decrease in revenue and a more than proportional gain in EBITDA due to the policies implemented by the Group to increase the percentage of revenue generated by more lucrative products and cut costs.

Revenue for the first three months of 2014 totaled 36,594,000 euros, for a decrease of 1.1% compared with the same period in 2013 (36,991,000 euros). EBITDA for the first quarter of 2014 were positive by 5,054,000 euros, an amount equal to 13.8% of revenue, compared with 3,321,000 euros in the same period last year. A policy implemented to contain costs and focus on more profitable products and services accounts for this 52% improvement. It is worth pointing out that this substantial

percentage increase in profitability was achieved despite a slight reduction in revenue, thanks to a different sales mix.

The bottom line improved by 2,548,000 euros, for a net profit of 1,815,000 euros reported in the first quarter of 2014, up from a loss of 733,000 euros in the first three months of 2013. The main reason for his gain is the sale by Cobra Telematics of an equity interest in Wunelli Ltd. (UK).

The consolidated net financial position shows indebtedness of 48,128,000 euros at March 31, 2014, down from 48,723,000 euros at December 31, 2013. The reduction of 595,000 euros in indebtedness reflects primarily the additional liquidity held by Cobra Telematics following the sale of its equity interest in Wunelli.

On April 17, 2014, Cobra Automotive Technologies S.p.A. and Cobra Italia S.p.A. executed a debt rescheduling agreement with the credit institutions that already signed a moratorium and standstill agreement. In 2014, in light of this restructuring agreement, work will continue on the implementation of the process that got under way in 2013 to boost efficiency and recover profitability with the aim of achieving an industrial balance for the Business Units and the Group as a whole that will be sustainable over the medium term. Further potential service and product synergies between the Services Division and the Electronic Systems Division will also be explored with the aim of consolidating the technological leadership embodied in the products and services sold by the company. In addition, growth is expected to continue in the Smart Insurance market, with a beneficial effect on sales of online boxed and related services. To support growth in this area, the Group can reasonably expect to have access to additional credit lines.

For additional information about Cobra's operating performance, please consult the documents made available by the company.

\* \* \*

In the renewable energy area, the publicly traded company **ErgyCapital SpA**, which is the lead company in this sector, intends to focus its efforts on generating cash flow from facilities already in operation and carefully managing its liquid assets. In recent year, this company redefined the group's mission and downsized its operations through closures of operational facilities, staff reductions and a resulting significant decrease of operating expenses. **ErgyCapital** intends to continue pursuing and assessing extraordinary transactions, both for the company as a whole and for its individual Business Units, with the aim of creating value for its shareholders.

In the first quarter of 2014, the ErgyCapital Group reported revenue of 3.2 million euros, down slightly compared with the first three months of 2013. Consolidated EBITDA, positive by 1.1 million euros, were lower than in the corresponding period last year (1.4 million euros), due to a contraction of photovoltaic revenue, which were adversely affected by the new prices paid for energy and an interruption of production at some facilities caused by the theft of some components during the reporting period, for which insurance claims have already been filed, and to the fact that EBITDA for the first quarter of 2013 were boosted by an extraordinary, nonrecurring item consisting of out-of-period income generated by the management of working capital

At March 31, 2014, the Group reported a loss before taxes of 1.3 million euros (loss of 1.1 million euros at March 31, 2013).

The net financial position totaled 78.7 million euros at March 31, 2014, compared with 77.1 million euros at December 31, 2013

Programs to further enhance the efficiency of the Group's organization were launched in the first quarter of 2014, which already this month resulted in the closure of the Rome main office, with the concurrent relocation of the registered office and administrative offices to the offices of the KME Group in Florence, and the opening of a local technical support unit in Rome.

For additional information about ErgyCapital's operating performance, please consult the documents made available by the company.

During the first three months of 2014, the Intek Group sold 6,048,440 ErgyCapital common shares that were part of its current asset portfolio, generating proceeds of 2,453,000 euros. As a result, the interest held in ErgyCapital decreased from 58.49% to 49.99% at March 31, 2014.2

\* \* \*

The interests held in Gruppo Cobra A.T. and ErgyCapital are recognized by the equity method in the consolidated financial statements of Intek Group, which are prepared in accordance with the IFRSs.

\* \* \*

## Results of the Group

With regard to the Group's performance, please keep in mind that it is affected by the results of the Copper Sector and the Financial and Real Estate Activities and that the Services Sector and the Renewable Energy Sector are consolidated by the equity method

\* \* \*

The comments provided on the Group's operating performance include the use of the reclassified indicators described below, which are deemed to be more representative of the true operating and financial performance.

\* \* \*

### ***Alternative Performance Indicators***

#### ***EBITDA***

*This indicator represents a useful yardstick to assess the Group's operating performance; it is an intermediate income statement line item that derives from EBIT, which, in turn, does not include depreciation and amortization and nonrecurring (charges)/income.*

#### ***Net financial debt***

*This indicator is used to assess the financial structure and is determined as the amount corresponding to gross financial debt less cash and cash equivalents and other financial receivables.*

#### ***Net invested capital***

*Net invested capital is defined as the sum of "Non-current assets" and "Current assets," net of "Current liabilities," except for the items mentioned above in the definition of "Net financial debt."*

\* \* \*

### **Reclassified Income Statement**

*The review of operating results includes financial and economic information that were taken from the Group's operating systems and are based on accounting principles that differ from the IFRSs, mainly in terms of measurement and presentation. The main items are listed below:*

- 1. Revenue is also shown net of the value of raw materials to eliminate the impact of fluctuations in raw material prices.*
- 2. When valuing ending inventories of the copper and copper-alloy semifinished product sector, the portion of the metal component representing structural inventories (i.e., the portion of inventories that was not set aside to fill customer orders) was valued by the LIFO method. The portion of inventories set aside for customer orders was valued based on the value of the corresponding orders, which is deemed to be the realizable value. Under the IFRS method, inventories are valued at the lower of the cost computed by the FIFO method or net realizable value. The IFRS principles also require that inventory buy and sell commitments and the corresponding hedges executed on the LME be disclosed separately and shown in the financial statements as financial instruments measured at fair value. The IFRS principles, by not allowing the measurement of the Sector's ending inventories by the LIFO method, which is the method used for internal management controlling activities, introduced an exogenous economic component the variability of which makes it impossible to compare homogeneous data for different periods and does not allow an accurate presentation of the actual results from operations.*
- 3. Nonrecurring items are shown below the EBITDA line.*



The table that follows shows the impact of the different measurement and presentation criteria applied to the data for the first three months of 2014.

<b>Operational Reclassified Consolidated Income Statement</b>						
<i>(in millions of euros)</i>	<i>1<sup>st</sup> quarter 2014 IFRS</i>		<i>Reclassifi- cations</i>	<i>Restate- ments</i>	<i>1<sup>st</sup> quarter 2014 Reclassified</i>	
Gross revenue	558.46	<b>100.0%</b>	-	-	558.46	
Raw material costs	-		(387.50)	-	(387.50)	
<b>Revenue net of raw material costs</b>	<b>-</b>				<b>170.96</b>	<b>100.0%</b>
Personnel expense	(74.49)		0.30	-	(74.19)	
Other consumables and costs	(437.18)		346.10	7.70	(83.38)	
<b>EBITDA (*)</b>	<b>46.79</b>	<b>8.4%</b>	<b>(41.10)</b>	<b>7.70</b>	<b>13.39</b>	<b>7.8%</b>
Depreciation and amortization	(8.80)		(1.40)	-	(10.20)	
<b>EBIT</b>	<b>37.99</b>	<b>6.8%</b>	<b>(42.50)</b>	<b>7.70</b>	<b>3.19</b>	<b>1.9%</b>
Net financial expense	(2.09)		3.80	-	1.71	
<b>Result before nonrecurring items</b>	<b>35.90</b>	<b>6.4%</b>	<b>(38.70)</b>	<b>7.70</b>	<b>4.90</b>	<b>2.9%</b>
Nonrecurring (charges) / income	-		38.70	-	38.70	
Impact of IFRS measured inventories and financial instruments	-		-	(7.70)	(7.70)	
<b>Net result (IFRS measurement)</b>	<b>35.90</b>	<b>6.4%</b>	<b>0.00</b>	<b>-</b>	<b>35.90</b>	<b>21.0%</b>
Share of result of equity-accounted investee companies	0.50		-	-	0.50	
<b>Consolidated net result</b>	<b>36.40</b>	<b>6.5%</b>	<b>0.00</b>	<b>-</b>	<b>36.40</b>	<b>21.3%</b>
Result attributable to non-controlling interests	(0.13)		-	-	(0.13)	
<b>Result attributable to owners of the Parent</b>	<b>36.53</b>	<b>6.5%</b>	<b>0.00</b>	<b>-</b>	<b>36.53</b>	<b>21.4%</b>

The table that follows provides an overview of the consolidated operating results of the Group in the first three months of 2014 compared with those for the corresponding period in 2013.

<b>Operational Reclassified Consolidated Income Statement</b>				
<i>(in millions of euros)</i>	<i>1<sup>st</sup> quarter 2014 reclassified</i>		<i>1<sup>st</sup> quarter 2013 reclassified</i>	
Gross revenue	558.46		626.10	
Raw material costs	(387.50)		(446.20)	
<b>Revenue net of raw material costs</b>	<b>170.96</b>	<b>100.0%</b>	<b>179.90</b>	<b>100.0%</b>
Personnel expense	(74.19)		(77.00)	
Other consumables and costs	(83.38)		(86.90)	
<b>EBITDA (*)</b>	<b>13.39</b>	<b>7.8%</b>	<b>16.00</b>	<b>8.9%</b>
Depreciation and amortization	(10.20)		(10.80)	
<b>EBIT</b>	<b>3.19</b>	<b>1.9%</b>	<b>5.20</b>	<b>2.9%</b>
Net financial expense	1.71		(4.00)	
<b>Result before nonrecurring items</b>	<b>4.90</b>	<b>2.9%</b>	<b>1.20</b>	<b>0.7%</b>
Nonrecurring (charges) / income	38.70		(2.90)	
Impact of IFRS measured inventories and financial instruments	(7.70)		(4.30)	
<b>Net result (IFRS measurement)</b>	<b>35.90</b>	<b>21.0%</b>	<b>(6.00)</b>	<b>-3.3%</b>
Share of result of equity-accounted investee companies	0.50		(0.80)	
<b>Consolidated net result</b>	<b>36.40</b>	<b>21.3%</b>	<b>(6.80)</b>	<b>-3.8%</b>
Result attributable to non-controlling interests	(0.13)		-	
<b>Result attributable to owners of the Parent</b>	<b>36.53</b>	<b>21.4%</b>	<b>(6.80)</b>	<b>-3.8%</b>

In the first quarter of 2014, the consolidated financial statements closed with a profit of 36.40 million euros, benefitting from the contribution of extraordinary transactions, the appreciation of the Cobra AT shares held as current assets and a relatively steady operating profitability.

An overview of the consolidated shareholders' equity presented in the **statement of financial position** is provided below:

<b>Consolidated Shareholders' Equity</b>		
<i>(in thousands of euros)</i>	<i>3/31/14</i>	<i>12/31/13</i>
Share capital	314,225	314,225
Reserves	(47,441)	(19,742)
Result for the period (*)	36,536	(26,920)
<b>Result attributable to owners of the Parent</b>	<b>303,320</b>	<b>267,563</b>
Result attributable to non-controlling interests	6,321	6,623
<b>Total shareholders' equity</b>	<b>309,641</b>	<b>274,186</b>

(\*) Before taxes for 2014.

At March 31, 2014, the Group's **net financial debt** amounted to 282.6 million euros, for a significant improvement compared with the amount owed at the end of 2013 (367.3 million euros), due in part to the effect of the divestment of the British plumbing pipe operations.

<b>Consolidated Net Financial Position – Reclassified</b>			
<i>(in thousands of euros)</i>		<i>3/31/14</i>	<i>12/31/13</i>
Short-term debt		357,065	337,946
Medium- and long-term debt		55,271	96,869
Borrowings from Group companies		5,887	4,986
<b>(A) Financial debt</b>	<b>(A)</b>	<b>418,223</b>	<b>439,801</b>
Cash and cash equivalents		(59,225)	(41,795)
Short-term financial receivables		(83,742)	(66,141)
Financial receivables from Group companies		(16,738)	(10,915)
<b>(B) Cash and cash equivalents and current financial assets</b>	<b>(B)</b>	<b>(159,705)</b>	<b>(118,851)</b>
Fair value of LME contracts/metal commitments		(30,764)	(8,121)
Fair value of other financial instruments		505	635
<b>(C) Financial instruments measured at fair value</b>	<b>(C)</b>	<b>(30,259)</b>	<b>(7,486)</b>
<b>(D) Consolidated net financial position before securities outstanding</b>	<b>(A) + (B) + (C)</b>	<b>228,259</b>	<b>313,464</b>
<b>(E) Debt securities outstanding (net of accrued interest)</b>		<b>57,736</b>	<b>57,595</b>
<b>(F) Consolidated net financial position</b>	<b>(D) + (E)</b>	<b>285,995</b>	<b>371,059</b>
<b>(G) Non-current financial assets</b>		<b>(3,364)</b>	<b>(3,770)</b>
<b>(H) Total net financial debt</b>	<b>(F) + (G)</b>	<b>282,631</b>	<b>367,289</b>

*(F) As defined in Consob Communication DEM/6064293 issued on July 28, 2006 to implement the CESR recommendations of February 10, 2005.*

*(H) This indicator is used to assess the financial structure and is determined as the amount corresponding to gross financial debt less cash and cash equivalents and other financial receivables.*

The table below shows an overview of the consolidated net invested capital:

<b>Consolidated Net Invested Capital</b>		
<i>(in thousands of euros)</i>	<i>March 31, 2014</i>	<i>December 31, 2013</i>
Capital invested in net non-current assets	865,422	818,955
Net working capital	45,487	128,566
Provisions	(318,637)	(306,046)
<b>Net invested capital</b>	<b>592,272</b>	<b>641,475</b>
Total shareholders' equity	309,641	274,186
Net financial position	282,631	367,289
<b>Financing sources</b>	<b>592,272</b>	<b>641,475</b>

*“Net invested capital” is a financial measurement not provided in the IFRSs and should not be treated as an alternative to those provided in the IFRSs. It is comprised of the following components:*

- *“Capital invested in net non-current assets,” which is the sum of “Property, plant and equipment and intangible assets,” “Investments in associates,” “Other non-current assets” and “Other non-current financial assets” not included in the definition of “Net financial debt” (usually, shares of closed end and reserved mutual funds).*
- *“Net working capital,” which is the sum of “Inventories” and “Trade receivables,” net of “Trade payables” and “Other current assets/liabilities,” except for the items previously included in the definition of “Net financial debt.”*
- *“Net provisions,” which include “Provisions for employee benefits,” “Net deferred-tax liabilities” and other “Provisions for risks and charges.”*

## **Other Information**

### **Approval of the 2013 Statutory Financial Statements**

The 2013 statutory and consolidated financial statements were approved by the Board of Directors on April 28, 2014 and made available to the public, with the reports of the Independent Auditors and the Board of Statutory Auditors, on April 30, 2014.

The Ordinary Shareholders' Meeting that will be held to approve the statutory financial statements has been scheduled for June 11, 2014. This Shareholders' Meeting will also convene in extraordinary session to approve some amendments to the Bylaws required primarily to comply with gender parity requirements.

### **Controlling Company and Ownership Structure**

The Company is controlled by Quattrodue Holding B.V., based at 37 Kabelweg, Amsterdam, Netherlands, through Quattrodue SpA, a wholly owned subsidiary of Quattrodue Holding B.V. At March 31, 2014, Quattrodue SpA held 158,067,506 Intek Group common shares, equal to 45.749% of the Company's share capital.

\* \* \*

Please note that the Board of Directors, at the meeting held on September 14, 2012, resolved, inter alia, to avail itself of the waiver provide by Article 70, Section 8, and Article 71 *bis* of the Issuers' Regulations, which give the Company the option of being exempt from the obligation to make available to the public an Information Memorandum in connection with material transactions

involving mergers, demergers, capital increases through the conveyance of assets in kind, acquisitions and divestments.

### **Related-party Transactions**

Transactions executed with related parties, including intercompany transactions, do not qualify as atypical and/or unusual transactions, as they were carried out by Group companies in the regular course of business. These transactions were settled on customary conditions, determined with standard parameters, or on market terms.

Intek Group is the owner of a loan provided to its controlling company Quattrodue SpA (originally owed by Quattrodue Holding B.V.). This loan accrues interest at the Euribor, plus a spread of 100 basis points. At March 31, 2014, the balance owed for this loan amounted to 1.2 million euros. Quattrodue collateralized with 41,500,000 Intek Group common shares that it owns a loan of 4.7 million euros received by Intek Group.

At March 31, 2014, loans outstanding include facilities provided to ErgyCapital (3.5 million euros owed to KME Partecipazioni), Cobra AT (1.5 million euros owed to KME Partecipazioni) and Culti Srl (2.0 million euros owed to Intek Group and 0.9 million euros owed to KME Partecipazioni). KME Partecipazioni informed Culti that it was willing to forgive 1.9 million euros of its receivable to cover Culti's losses.

### **Business Outlook**

The Group's operating performance will reflect the results of the individual investment sectors.

### **Significant Events Occurring After March 31, 2014**

There were no significant events other than those described in the preceding pages.

## **Financial Statements of the Interim Report on Operations at March 31, 2014**

The Interim Report on Operations at March 31, 2014, which was not audited, was prepared in accordance with Article 154 *ter* of the Uniform Financial Code enacted by Legislative Decree No. 195/2007.

The consolidated statement of financial position refers to the end of the quarter subject of this Report and the end of the previous reporting year.

Consolidated income statement data are provided for the first nine months of 2013. They are also compared with the data for the same period a year earlier. The presentation format of the accounting schedules is consistent with that of the same accounting schedules included in the Semiannual Financial Report and Annual Financial Report.

The Interim Report on Operations at March 31, 2014 was prepared in accordance with the valuation and measurement criteria of the International Financial Reporting Standard (IFRSs) published by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council dated July 19, 2002, and the resolutions issued in implementation of Article 9 of Legislative Decree No. 38/2005, when applicable.

The results are presented before taxes for the period.

**Consolidated Statement of Financial Position**

<b>Statement of Financial Position</b>		
<i>(in thousands of euros)</i>	<i>3/31/14</i>	<i>12/31/13</i>
Property, plant and equipment	515,077	540,426
Investment property	80,638	80,665
Goodwill	125,801	125,801
Other intangible assets	2,294	2,569
Investments in associates	12,018	11,940
Investments in other companies	270	270
Investments valued by the equity method	110,250	38,601
Other non-current assets	6,705	6,252
Non-current financial assets	15,733	16,201
Deferred-tax assets	67,371	67,951
<b>Total non-current assets</b>	<b>936,157</b>	<b>890,676</b>
Inventories	439,045	525,593
Trade receivables	159,565	123,762
Other receivables and current assets	47,816	57,581
Current financial assets	153,156	101,270
Cash and cash equivalents	59,225	41,795
<b>Total current assets</b>	<b>858,807</b>	<b>850,001</b>
Non-current assets held for sale	7,795	7,795
<b>Total assets</b>	<b>1,802,759</b>	<b>1,748,472</b>
Share capital	314,225	314,225
Reserves	(47,441)	(19,742)
Profit (Loss) for the period	36,536	(26,920)
<b>Profit (Loss) attributable to the owners of the parent</b>	<b>303,320</b>	<b>267,563</b>
Profit (Loss) attributable to non-controlling interests	6,321	6,623
<b>Total shareholders' equity</b>	<b>309,641</b>	<b>274,186</b>
Provisions for employee benefits	232,305	234,664
Deferred-tax liabilities	98,302	101,012
Borrowings and non-current financial liabilities	113,007	154,464
Other non-current liabilities	9,885	12,139
Provisions for risks and charges	55,401	24,422
<b>Total non-current liabilities</b>	<b>508,900</b>	<b>526,701</b>
Borrowings and other financial liabilities	372,950	351,220
Trade payables	507,079	481,431
Other current liabilities	104,189	101,035
Provisions for risks and charges	-	13,899
<b>Total current liabilities</b>	<b>984,218</b>	<b>947,585</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,802,759</b>	<b>1,748,472</b>

## Income Statement

<b>Statement of Profit (Loss) for the Period</b>		
<i>(in thousands of euros)</i>	<i>1<sup>st</sup> quarter 2014</i>	<i>1<sup>st</sup> quarter 2013</i>
Sales and service revenue	558,462	626,143
Change in inventories of finished goods and semifinished products	1,706	2,912
Capitalization of internally produced assets	359	342
Other operating income	49,533	4,146
Purchases and change in inventory of raw materials	(416,800)	(470,309)
Labor costs	(74,493)	(78,836)
Depreciation, amortization, impairment losses and writedowns	(8,800)	(10,823)
Other operating expenses	(71,974)	(75,177)
<b>EBIT</b>	<b>37,993</b>	<b>(1,602)</b>
Financial income	7,563	2,569
Financial expense	(9,650)	(6,988)
Share of result of equity-accounted investee companies	499	(832)
<b>Result before taxes</b>	<b>36,405</b>	<b>(6,853)</b>
Result attributable to:		
- non-controlling interests	(131)	46
- the owners of the parent	36,536	(6,899)
Result for the period	36,405	(6,853)

Milan, May 14, 2014

The Board of Directors

*Declaration by the Corporate Accounting Documents Officer Pursuant to Article 154 bis, Section 2, of Legislative Decree No. 58/1998 (Uniform Financial Code)*

Giuseppe Mazza, the Corporate Accounting Documents Officer, acting pursuant to Article 154 bis, Section 2, of the Uniform Financial Code (Legislative Decree No. 58/1998), declares that the accounting information contained in this Interim Report on Operations at March 31, 2014 is consistent with the data in the supporting documents and in the Company's books of accounts and other accounting records.

*Signed: Giuseppe Mazza*  
Corporate Accounting Documents Officer