INTEK GROUP

ANNUAL FINANCIAL REPORT
2015

Board of Directors
of 29 April 2016

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

Contents

Dynamo Camp
A place in Italy

Dynamo Camp is the first Recreational Therapy camp in Italy, which has been expressly structured to offer hospitality to children and teenagers afflicted by serious and chronic illnesses, from the ages of 6 to 17, when they are in therapy or in the post- hospitalization phase. Since 2012, the Camp also offers specific programs for the entire family. Dynamo Camp wishes to offer these children the opportunity to once again become "simply children" allowing them to enjoy a fun vacation in a protected environment. To relieve a child from his or her illness, even if for short periods, can make a difference in the life of that child and his or her family.

In 2015, in its ninth year of operation, Dynamo Camp hosted **1,200 children and 200 families.**

19 programs: 10 sessions for children and teenagers, of which one for healthy siblings, two international and 9 for families.

The Dynamo Camp Onlus Association brings the Recreation Therapy programs outside the camp as well with its **Outreach project**, which serves children that are hospitalized or in hospice through its Dynamo Off Camp truck.

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

The objective of the Dynamo Camp Onlus Association is to continue to allow the greatest possible number of children and families in need to stay at the camp. Our effort is focuses on various levels: to increase the number of beds by adding new hosting structures; to assess, with the assistance of the Scientific Medical Committee, other pathologies that could be admitted to the camp; to increase Leaders in Training projects for the former campers and to offer high-level training to another 600 volunteers who donate their time, intelligence and love every year.

The **fund raising** is targeted to individuals, companies, foundations and public entities, while its sustainability horizon is of the medium to long term. The role of individuals and their capacity to bring others together is of strategic importance: in the last 12 months, **205 ambassadors**, persons who support Dynamo Camp and promote its cause, throughout Italy, have organised **135 fund raising** initiatives, creating a network of **10,000 persons** and **504 cyclists** from all over Italy who participated in the third edition of **Dynamo Bike Challenge**, collecting **1,500 donations** totalling over **Euro172,000** for Dynamo Camp.

Company Bodies

***Board of Directors** (office ending with the approval of the 2017 financial statements)*

Chairman	Vincenzo Manes[B]
Deputy Chairwoman	Diva Moriani[B]
	Salvatore Bragantini[D]
	Marcello Gallo
	Giuseppe Lignana[A, C]
	James Macdonald
	Alessandra Pizzuti
	Luca Ricciardi[A,C]
	Franco Spalla[A,C]

A. Independent Director
B. Executive director
C. Member of the Internal Control and Risks Committee (Giuseppe Lignana, *Chairman*)
D. Salvatore Bragantini resigned with effect from 18 April 2016

***Board of Statutory Auditors** (office ending with the approval of the 2017 financial statements)*

Chairman	Marco Lombardi
Standing Auditors	Francesca Marchetti
	Alberto Villani
Alternate Auditors	Andrea Zonca
	Elena Beretta

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	KPMG SpA
Common Representative of Saving Shareholders	Simonetta Pastorino
Common Representative of the "2015/2020 Intek Group S.p.A. bond" holders	Rossano Bortolotti
Common Representative of the "2012/2017 Intek Group S.p.A." holders	Elena Pagliarini

2015 Directors’ report

Dear Shareholders,

During 2015 your company continued its management of equity investments and assets in portfolio in order to increase their value.

Subsequently to the incorporation of Intek SpA at the end of 2012, Intek Group has become more of a holding structure of diversified equity investments with its main objective being to dynamically add value to the individual assets, established by the companies, the business divisions or individual assets, with increased focus on their capacity to generate cash and to increase their value over time.

The management of the Company, in line with this strategic line, believes that the overall appreciation of the Intek Group’s performances and value must be made by considering, not only the assessment of the performance for the period, but also and above all the increase in value over time recorded by the individual assets and by their capacity to turn into value for shareholders. The management of the company is focused more on ensuring that the parent's separate financial statements represented the equity and income structure while ensuring the company's economic development more clearly than the consolidated financial statements. The separate financial statements are therefore the element on which our communications of corporate performance are based.

Since the end of 2014, based on the above and after careful assessment of the applicability of thelegal and regulatory requirements, Intek Group has considered that its own operations fall under the field of application of the IFRS that covers investment entities (amendments made to IFRS 10 and 12 and IAS 27) introduced with EU regulation no. 1174/2013 (the “Regulation”). In 2014, the standard was applied prospectively and therefore, there was no need to restate the data from the previous years. At the income statement level, all the subsidiaries, except for the non significant subsidiaries, where consolidated on a line-by-line basis, with separate indication of the difference between the fair value at 31 December 2014 and the carrying amount thereof at the same date.

This annual report for 2015 is therefore presented, on a consistent basis compared to the separate and consolidated financial statements at 31 December 2014 and the interim financial report at 30 June 2015, employing the accounting standards required for investment entities. This requires fair value measurement through profit or loss for both the separate and consolidated financial statements, with equity investments held as investments recognised in profit and loss, of which the most significant direct equity investments are KME A.G., holding of the KME Group, operating on the copper sector, and FEB- Ernesto Breda S.p.A.. 2015 has been the first year in which these standards were applied from 1st January.

It is hereby noted that the operations of Intek Group are not considered as asset management activities and, therefore, the Group is not required to be registered in the registry of investment companies.

2015 saw the following main activities:

a) The reorganization of the copper sector operations.

   To strengthen the implementation of these strategies even more, in June 2015 a decision was made to reorganise the governing body of the KME Group which, in order to guarantee a more effective alignment with the strategies of the parent INTEK Group SpA, modified the Board of the German parent, KME A.G. with the addition of Vincenzo Manes as the “Chief Strategic Officer” and the confirmation of Diva Moriani as the “Group CEO”.

   In regard to these activities, we indicate here below the initiatives which took place:

   (i) The concentration of the German pipe production in the Menden facility and the concurrent easing of the central services of the Osnabruck headquarters, led to the dismissal of approximately 350 employees.

   (ii) Agreement with the Cupori Group, a Finnish operator in the copper pipes sector, for the disposal of the controlling interest in KME France S.a.s, in two phases: the first, which was completed in March 2016, refers to 49%; the second, referring to the remaining 11%, carries a put option which can be exercised by KME A.G. if certain conditions are met. The transaction involved the Givet and Niederbrucke facilities and also the Serravalle Scrivia facility, these being assets which, with their consolidated sales of approximately Euro 270 million and 700 persons, have recently generated significant losses for the KME Group.

(iii) Reorganisation and resizing of the headquarters based in Florence, with a reduction of approximately 15 managers.

For further details regarding the activities of KME Group please see the “copper sector” in this report.

* * *

b) As already indicated in the Interim Financial Report, we reiterate the conclusion of a transaction in the first semester of 2015 which made it possible to optimize the debt structure of the Company, in terms of duration and cost of funding.

- a voluntary total public exchange offer (the "Exchange Offer") of 22,655,247 "Intek Group SpA 2012 – 2017 outstanding bonds” and 115,863,263 "Intek Group SpA 2012 – 2017 Participatory Debt Financial Instruments” with the consideration being new bonds issued by Intek Group for a total amount of Euro 61.7 million (the " Exchange Offer"), offering a premium of almost three percent on the nominal value to the holders of the old securities;
- the concurrent promotion of thepublic subscription offer of a bond loan, for a total of about Euro 40 million, which the company may increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer.

Upon conclusion of the transaction, 4,708,507 new bonds were issued at a unit nominal amount of Eeuro 21.60, for a total nominal amount of Eeuro 101.7 million, listed on the Borsa Italiana’s electronic bond market (MOT). The duration of the bonds is from 2015 to 2020, with an interest rate of 5%, against the 8% interest rate of the 2012 – 2017 Intek Group bond loan issue and the Participatory Debt Financial Instruments from the Exchange Offer and repaid, as required, to all subjects who did not participate in the offer.

This was the first issue to take place directly on the MOT, by a non-banking business, without a distributor. It closed with a notable success. The applications for the subscription of the new bonds amounted to Euro 177 million (Euro 40 million offered initially).

The new bonds were issued on 20 February and on that same date, the securities that were used to participate in the exchange offer were exchanged. On 20 March 2015, the Company redeemed the existing bonds that were not tendered to the offer.

The liquidity arising from this transaction, which is additional to the liquidity already available to the Group following the disposal of the equity investment in Cobra AT, had already resulted in overall liquidity of Euro 79.7 million inJune 2015. In the second half of 2015, Intek Group granted a loan to its own subsidiary KME AG totalling Euro 35 million, which was increased to Euro 50 million during 2016. The loan which was granted at market rates, falls due in July 2016.

To efficiently employ this liquidity, in 2015, we began to invest part thereof in financial instruments, particularly harmonized Collective Investment Undertakings (Investment funds) which are characterized by absolute yield investment policies. For further details please see the appropriate paragraph on Financial Management.

* * *

c) The I2 Capital Partners Fund, which is 19.15% held by Intek, continues to develop its own investments which provided a partial redemption amounting to Euro 3.5 million during 2015. In the initial months of 2016, a further redemption of Euro 12.6 million took place, which was connected to the Benten Srl, Isno 3 and Safim Factor investments. Further redemptions are foreseen during 2016.

* * *

d) The subsidiary FEB- Ernesto Breda SpA developed its assets and ended the year with a profit of Euro 6.3 million, thereby providing Intek group with profits of Euro 3.2 million.
During the year, an agreement was concluded with SGA - Società per la Gestione di Attività SpA ("**SGA**") which made it possible to end the dispute which had been initiated by SGA relating to conditional loans relative to guarantees granted to the former subsidiary Isotta Fraschini against which a risk provision had been made of Euro 6 million. The agreement, which required a financial outlay of Euro 4.5 million resulted in the loan involved in the Isotta Fraschini lawsuit being transferred to FEB.

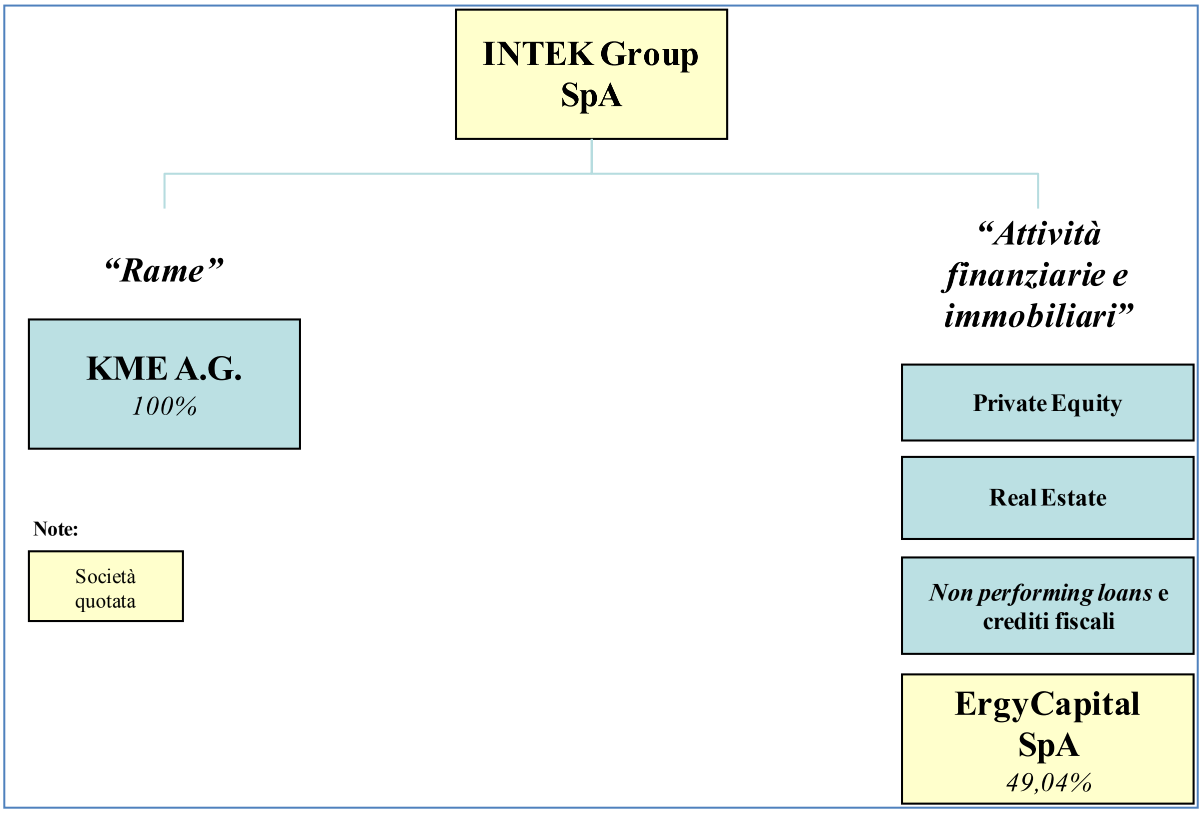
* * *

e) In July 2015, Intek Group purchased the total equity investment in Immobiliare Pictea Srl, against Euro 10.0 million. This company owns the building located in Milan, Foro Buonaparte 44, where Intek Group and some of its subsidiaries have their headquarters. The building has 6 floors of which 4 are used as office space and 2 are residences, for which a restructuring/renovation plan has already begun. The immediate financial commitment of the Group was equal to Euro 3.0 million, while for the remaining amount of Euro 7.0 million a mortgage was concluded at a variable rate set at one month Euribor plus 2.8 percentage points.

* * *

f) In the first quarter of 2016, the merger of KME Partecipazioni SpA into Intek Group SpA was resolved and approved, based on the financial positions of the two companies as at 30 September 2015. The transaction, which referred to a wholly- owned subsidiary, was resolved and approved by the respective Boards of Directors in the simplified form allowed by art. 2505 of the Italian Civil Code and is expected to be implemented by the end of the first semester of this year.
The merger will reduce costs and allow recognition directly by Intek Group of the equity investments in Ergycapital and Culti Milano Srl, which are currently held by KME Partecipazioni.
Also as part of the simplification of the structure and the effort to contain costs, we note the conclusion of the liquidations of Inteservice Srl and Idra International SA and the merger of Malpaso Srl into Rede Immobiliare in April 2016.

Summary of the Group's corporate structure at 31 December 2015



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

The investment segments of INTEK Group SpA (hereinafter referred to as the "**Intek Group**" or the "**Company**") are: the traditional segment of "**copper**", which includes the production and marketing of copper and copper-alloy semi-finished products by the German subsidiary KME AG; and the sector of "**financial assets and investment property**", including the private equity business that is mainly carried out through the closed-end I2 Capital Partners investment fund (the "**Fund**") as well as the management of receivables (tax and non-performing receivables and those arising from insolvency procedures) andinvestment property. The equity investment in ErgyCapital is included under financial andinvestment property.

As for **financial assets andinvestment property**, the Company continued with its programmes to accelerate the gradual sale of the assets held.

As for the **private equity**business, the future programmes focus on maximizing the value of the interests held by the Fund, whose investment period ended in late July 2012.

As for **ErgyCapital**, the company intends to continue its research and valuation of extraordinary transactions involving the overall Company operations or the individual business units, aimed at creating value for the shareholders. This sector was adversely effected in 2015 as well by the effects of the remodulation of the incentives applicable to tariffs in the photovoltaic sector, governed by the so-called "incentive distribution decree". For further information, please see the appropriate section further below in this report and also the financial report of the subsidiary Ergycapital.

The parent Intek Group S.p.A.

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

In the past, the Intek Group made medium/long-term investments combining its entrepreneurial spirit with a solid financial structure. Its strategy aims at a flexible portfolio, with further reduced investment cycles and faster cash generations.

In line with this strategic redefinition, please note that in evaluating the Intek Group's overall performance, it is necessary to consider not only the performance for the period, but also and above all the increase in the value of the individual assets over time and their potential for creating shareholder value.

This assessment is at the heart of the choices made by management in allocating financial resources, rewarding only those sectors which appear high-performing and promising while facilitating the exit from industrial and financial segments with limited potential for value creation or an excessively long payback period. To maximise the value of the assets managed, the Company carefully defines business strategies and controls the subsidiaries, looks for agreements and/or partnership opportunities with third parties, sells specific assets and manages non-recurring transactions involving the subsidiaries.

The key statement of financial position figures of the Intek Group as at 31 December 2015, in comparison with those as at 31 December 2014, can be summarised as shown below:

Condensed separate statement of financial position

(in thousands of Euro)	*31 Dec. 2015*		*31 Dec. 2014*	
Copper	**413,317**	**85.20%**	**393,997**	**86.02%**
Financial assets andinvestment property				
Private Equity	*8,580*		*8,288*	
Non operating assets	*11,058*		*4,554*	
Real Estate/Others	*23,099*		*27,204*	
Ergy Capital/Other Services	*21,549*		*20,243*	
Total financial assets and investment property	**64,286**	**13.25%**	**60,289**	**13.16%**
Other assets/liabilities	**7,493**	**1.54%**	**3,766**	**0.82%**
Net investments	**485,096**	**100.00%**	**458,052**	**100.00%**
PDFI and outstanding bonds (*)	*(105,164)*		*(61,962)*	
Net cash from third parties	*12,294*		*1,387*	
Investments of liquidity in KME	*29,700*		*-*	
Reclassified net financial debt Intek Group	**(63,170)**		**(60,575)**	
Net cash available to KME Partecipazioni	**27,258**		**49,933**	
Holding company net financial debt due to third parties	**(35,912)**	**7.40%**	**(10,642)**	**2.32%**
Equity	**449,184**	**92.60%**	**447,410**	**97.68%**

- *In the statement, presented with the same method of internal operational representation, the investments are expressed net of any financial credit/debit relations in existence with Intek Group, KME Partecipazioni and Immobiliare Pictea, except for a liquidity investment in KME AG of Euro 29.7 million.*
- *(*) includes the interests accrued from 20 February to 31 December 2015.*

The **Net investments** held by the Company amounted to Euro 485.1 million at 31 December 2015 (Euro 458.1 million at the end of 2014), of which 85.20% were in the Copper sector and the rest in financial assets andinvestment property. The increases in the copper Sector are due almost exclusively to the fair value measurement of the equity investment in KME AG. The financial assets and investment property have increased mainly in “non operating assets”, on the one hand due to the increase in the value of the equity investment in FEB- Ernesto Breda and on the other due to the decrease in the debit balance of Intek vis a vis FEB-Ernesto Breda.

Performance

The holding’s profit was Euro 4.0 million. In 2014, the profit was Euro 10.9 million, as the company had gained Euro 19.1 million in 2014, after taxes, from the effect of the first application of the IFRS on Investment Entities. The income from equity investments amounted to Euro 13.5 million and mainly originates from fair value measurements. The 2015 result can therefore not be distributed as it consists of profits to be mandatorily allocated to the unavailable reserve.

The result was affected negatively by non-recurring expenses of Euro 2.6 million, while there was an improvement in the financing operations (the net financial charges decreased from Euro 6.3 million to Euro 5.5 million) and a containment of operating costs (from Euro 5.2 million to Euro 4.5 million).

Equity

Equity of the holding is Euro 449.2 million, compared to Euro 447.4 million at 31 December 2014, the positive change being due to the profit for 2015 which was partially offset by the negative effects of the purchase of the treasury shares against a total of Euro 2.2 million, of which Euro 1.4 million were allocated to dividends by the subsidiary KME Partecipazioni.

Equity per share, net of treasury shares, was Euro 1.16 (Euro 1.14 at 31 December 2014), up 2% from the previous year.

The **share capital** did not change during the year and as at 31 December 2015 it was equal to Euro 314,225,009.80, divided into 345,506,670 ordinary shares (equal to 87.33% of the overall share capital) and 50,109,818 savings shares (equal to 12.67% of the overall share capital). The shares have no nominalamount.

At 31 December 2015, Intek Group held 7,719,940 ordinary treasury shares (2.23% of the category capital) and 11,801 savings shares (equal to 0.024% of the category capital).

Financial debt

The **net financial debt of the holding to third parties** (including both Intek Group and KME Partecipazioni) at 31 December 2015 totalled Euro 35.9 million compared to Euro 10.6 million at 31 December 2014. Said debts, amounted to slightly more than 7.4 % of total of investments and referred exclusively to loans and borrowingsdue to the Group's companies, except for the bond issues, since all bank loans and borrowings have been fully repaid.

At the end of December 2015, Intek had cash and cash equivalents, including through the subsidiary KME Partecipazioni, of Euro 36 million, of which Euro 27 million was invested in easy to liquidate mutual funds. To this is added the loan granted to the subsidiary KME AG of Euro 29.7 million, increased by Euro 50.0 million at the date this report was prepared.

The breakdown of Intek Group's reclassified net financial position is as follows:

Reclassifiednet financial position			
(in thousands of Euro)		*31 Dec. 2015*	*31 Dec. 2014*
Cash and cash equivalents		(7,785)	(736)
Other financial assets		(3,679)	-
Current loan assets from subsidiaries		(38,148)	(7,135)
Current receivables for financial guarantees from subsidiaries		(2,260)	(3,892)
(A) Net financial assets	**(A)**	**(51,872)**	**(11,763)**
Current loans and borrowings		6,641	5,870
Loans and borrowings due to subsidiaries		40,939	36,137
(B) Non-current loans and borrowings	**(B)**	**47,580**	**42,007**
(C) Current net financial debt	**(A) - (B)**	**(4,292)**	**30,244**
Long-term loans and borrowings		9	1,690
Intek Group 2012/2017 PDFI		-	48,662
Intek Group 2012/2017 bonds		-	11,328
Intek Group 2015/2020 bonds		100,789	-
(D) Current financial liabilities loans and borrowings		**100,798**	**61,680**
(E) Net financial position	**(C) + (D)**	**96,506**	**91,924**
Non-current receivables for financial guarantees due from subsidiaries		-	(1,675)
Non-current loan assets - subsidiaries		(711)	(449)
Non-current loan assets - banks		-	(672)
(F) Non-current loan assets		**(711)**	**(2,796)**
(G) Reclassified net financial position	**(E) + (F)**	**95,795**	**89,128**

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

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

Reclassified Income Statement		
(in thousands of Euro)	*2015*	*2014*
Fair value changes and other gains/losses from investing activities	13,813	23,831
Commission income on guarantees given	4,210	4,721
Costs of investing activities	(578)	(2,216)
Gross gain/loss from investments	**17,445**	**26,336**
Net operating costs	(4,546)	(5,174)
Interest income	830	453
Interest expense	(6,356)	(6,774)
Profitfrom continuing operations	**7,373**	**14,841**
Non-recurring expense	(2,551)	(5,218)
Profit before taxes	**4,822**	**9,623**
Taxes for the year	(782)	1,322
Profit for the year	**4,040**	**10,945**

The net balance of the "*Commission income on guarantees given*", "*cost of investing activities"* and "*net operating costs*" which represent the current operating revenues and costs, is negative by Euro 914 thousand, significantly improved compared to the also negative balance of Euro 2.7 thousand last year.

The "*interest expense*" includes Euro 5.4 thousand for outstanding debt securities and Euro 0.8 thousand payable to subsidiaries.

The "*taxes for the year*" were influenced negatively by the reduction in the IRES rate beginning from 2017 and the consequent effect on the deferred taxes arising from the temporary differences that will reverse beginning from that year.

Cash flows for the years 2014 and 2015 are summarized as follows:

Statement of cash flows, indirect method			
(in thousands of Euro)		*2015*	*2014*
(A) Cash and cash equivalents at the beginning of the year		**736**	**930**
Profit before taxes		4,822	9,624
Amortisation of intangible assets and depreciation of property,plant and equipment		67	89
Impairment losses on non-current, non-financial assets		202	95
Impairment losses (reversal of impairment losses) on current and non-current financial assets		2,950	(25,083)
Changes in provisions for pensions, post-employment benefits and stock options		(13)	68
Changes in provisions for risks and charges		(245)	3,474
Increase in equity investments		(100)	(81)
(Increase) decrease in other financial investments		(2,602)	1,434
Increase (decreases) in loans and borrowings towards related companies		19,802	23,370
(Increases) decreases in loan assets from related companies		(32,652)	5,663
Dividends received		(16,425)	-
Decrease in current receivables		133	1,744
Decreases in current payables		(1,146)	(3,145)
Taxes paid during year		962	-
(B) Total Cash flows from (used in) operating activities		**(24,245)**	**17,252**
(Increases) in non-current tangible and intangible assets		(154)	(73)
Decrease in non-current intangible assets and property, plant and equipment		-	1
(Increase) decrease in instrumental investments		(10,022)	-
Increase/decrease in other non-current assets/liabilities		-	(194)
(C) Cash flows used in investing activities		**(10,176)**	**(266)**
(Purchase) sale of treasury shares		(835)	371
Bond issue and Early Redemption		39,796	-
Payment of interests on Bonds		(2,820)	-
Increase (decrease) in current and non-current loans and borrowings		5,329	(17,551)
(D) Cash flows from (used in) financing activities		**41,470**	**(17,180)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**7,049**	**(194)**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**7,785**	**736**

It is hereby noted that the company took the option of extending the time period allowed by article 2364, par. II of the articles of association, for approval of the financial statements for the year ended 31 December 2015 due to the decision of KME AG, the largest investment of Intek Group SpA, to postpone its approval of the financial statements until the month of April, in consideration of the reorganization of the Group's structure, currently underway, and the decision to prepare, for the first time, its own public consolidated financial statements.

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

Performance in the various investment segments

Below we present the performance of the main investments existing at 31 December 2015, which consist of the following equity investments: KME AG Group, Ernesto Breda SpA, Rede Immobiliare Srl and Malpaso Srl and a direct investment of Intek Group in the I2 Capital Partners Fund (19.15%). We reiterate that the equity investments held as investments are measured at fair valuethrough profit or loss.

The other equity investments, on the other hand, have been considered to be instrumental to the Company's operations and include: KME Partecipazioni SpA, I2 Capital Partners SGR SpA, I2 Real Estate Srl and Immobiliare Pictea Srl. Pursuant to the application of the accounting standard on Investment Entities, these companies are included in the consolidation scope together with the parent Intek Group. With regard to the above, following the comment on investments, we provide a brief summary of the equity, income and cash flow performance.

* * *

Copper segment

The Copper sector's investment includes the production and marketing of copper and copper-alloy semi-finished products by the German subsidiary **KME AG**, and, as indicated above, continues to be the INTEK Group’s core business.

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
KME AG Equity Investment	409,988	391,615
KME Beteiligungsgesellsch.mbH Equity Investment	1,000	1,000
Other	2,329	1,382
Total "Copper"	**413,317**	**393,997**

The fair value as at 31 December 2015 was estimated at Euro 410.0 million, against Euro 391.6 million as at 31 December 2014.

As described in the previous Directors’ Reports, the difficult macroeconomic scenario of the last few years has led the operating units of this sector to take action, through targeted strategic choices, so as to improve the competitive positioning of the Group. Our push to strengthen operational efficiency and organisational flexibility has been focused along these lines and the rationalisation of the business portfolio, with the objective of focusing our resources more towards a series of high value added activities and markets with a higher growth potential.

To make the implementation of such strategies more effective, in June 2015, the management of the KME Group was reorganized and, fully in line with the strategies defined by the parent Intek Group SpA, it is assured by the Board of the German parent KME A.G., with Vincenzo Manes as the "Chief Strategic Officer," and Diva Moriani who maintains the role as the"Group CEO" to whom all operating units and staff functions report.

Regarding the increased operating efficiency, restructuring projects were initiated at the production facilities in various areas which aim to reduce the excess production capacity, streamline the structure and optimize business costs and working capital, with a significant impact on operations in terms of recovery of efficiency and profitability.

The implementation of this strategy led to the reorganisation of the production facilities of the sector in Germany, through the concentration of the tube manufacturing into a single facility (Menden) and closure of the Osnabrük manufacturing facilities. This action was accompanied by a drastic reduction of the costs for centralised services, which, together with the aforementioned restructuring of the pipe segment, led to the departure of 350 employees from the Osnabruck facility.

In France, in December 2015, an agreement was signed with the Cupori Group, a Finnish operator in the copper pipes sector, for the disposal of the controlling interest in KME France S.a.s, to take place in two phases: the first, which was completed in March 2016, refers to 49%; the second, referring to the remaining 11%, carries a put option which can be exercised by KME if certain conditions are met. The transaction involved the assets of the company which consist of the Givet and Niederbruck facilities, regarding the operations carried out in the pipe sector (Givet) and the copper rods sector (Niederbruck) and also the operations involving the copper rods carried out at the Italian establishment of Serravalle Scrivia (Alessandria), which was previously a division of KME Italy SpA. Prior to the sale, all the operations carried out by KME France S.a.s. in the sector of rolled products were sold to other companies belonging to the KME Group. As part of the execution of the agreement, the two partners signed and contributed to a share capital increase of Euro 10 million, to finance the restructuring and development of KME France S.a.s. The relations between KME A.G and Cupori Ltd are governed by a shareholders' agreement.

The French operation covers activities that generate sales of approximately Euro 270 million per year, employing 700 persons, which had produced significant losses for the Group in the past. The objective of this transaction is the creation of a solid operator in the pipes segment, thanks to the industrial synergies existing with Cupori, and the significant restructuring of the personnel expenses of KME France S.a.s., negotiated with the French partners in November. We reiterate in fact that at the end of June KME France S.a.s had announced the closure of the Givet facility and initiated the consultation procedure with the stakeholders, as is required in France for such cases. The transaction with Cupori made it possible to once again initiate growth in France, avoiding the announced closure of the Givet facility. As a result, almost all the jobs were saved.

In Italy, the Florence headquarters underwent significant resizing in terms of costs, with the departure of 15 executives and it was transformed into a Service Center for all Group Companies.

In Italy, a project was presented last October which provides for the closure in 2016 of the "copper" operations in the Fornaci di Barga (Lucca) facility, and its manufacturing operations, rolled and special products will be moved to other Group units. In the months that followed, a concise dialogue began with the union representatives; the discussion also included examination of alternative scenarios, able to minimize the social impacts, but allowing for definitive solutions to the significant financial losses recorded in the last years by this production unit despite the massive investments that were made.

As has been described at length in previous reports, the strategy of focusing on markets with higher growth potential, led to the definition of the KMD project, the purpose of which was to realize a facility for rolled products for connectors in China, in partnership with a major local operator. The project is proceeding: a finishing line that will enable distribution directly to Chinese clients has also started, beginning from the semi-finished products from the Stolberg facility and other KME Group units. Chinese customers have endorsed the quality of the first products coming off the finishing line. The start-up of the cold rolling and annealing line is set for the last quarter of 2016, while the foundry and hot rolling line is scheduled for 2017.

The checks carried out on the market confirmed the significant potential of the automotive sector in Asia and therefore the validity of this program which is underway.

The expansion in China, the significant restructuring of the production operations in Germany, France and Italy, the effort to collaborate with major operators in the sector are the components of an articulated strategy aimed at strengthening the industrial, economic and equity structure of KME Group through the increase of operating efficiency, organizational simplification and focusing of business resources with a higher added value, in the more dynamic geographic areas which guarantee development and stable profits over the long term. This is a course of action which could result in further financial benefits and eventually the return of the parent KME A.G on the German stock exchange; to this end, the Frankfurt consulting company Acxit Capital has been mandated to assess the terms and conditions of the feasibility of such a project.

Regarding the performance of the market, the special products have essentially confirmed the sales levels of 2014, despite the slowdown in economic activity of emerging countries. In certain segments, such as the ingot moulds and the copper cooling elements for foundries, the KME Group maintains a leading position worldwide, with a strong commitment toward innovation and constant technological updating of the products and services.

The negative trend reversal in the market for rods which began in the last two quarters of 2014, seems to have stopped in the last few months of 2015, as there have been consolidated signs of recovery in terms of volumes and prices.

The evolution of demand for **semi-finished products in copper for the industrial sector,** which KME Group intends to support as a significant partner by providing its metallurgical know how, is confirming its signs of stability, though this is differentiated among the various segments. The sales volumes of the industrial rolled products, whether copper or alloys, in their vast assortment of compositions, sizes and formats, are growing in recent months and at more stable prices. The industrial tubes, which also cover a vast range of applications, has proven to be weaker at the end of 2015 in terms of volumes, while prices confirmed to be resistant.

The demand for semi-processed products in copper and its alloys for use and construction continues to be characterized by fundamental weakness. Over the last few months, the sale of rolled products, used for roofs and facades, finishings and interior design has confirmed that recovery is underway in this area. The sales volumes of plumbing tubes are still weak, but with more stable prices.

In terms of the overall financial performance of the sector, in 2015 the net sales of raw materials were lower than 2014 by 3.6% (2.9% on a like-for-like basis) although in the final months of the year ended there was an increase in sales confirming the signs of a progressive recovery of demand.

Despite the drop in sales, the positive effects on the cost of the industrial and commercial measures adopted allowed for recovery of operating profitability, which increased to 25.3% in 2015 compared to the previous year.

The improvement could have been better if optimization of raw material use was not as low as it was during the entire year, due to the decreased amount of scrap available on the market, thereby pushing its cost upward. EBITDA compared to revenue not including raw materials was 9.6% throughout 2015; comparing this figure with 6.6% in the first half of 2015 indicates a progressive improvement.

Key consolidated performance of the copper sector

(Euro million)	*2015*	*2014*
Revenue	**1,974.8**	**2,027.9**
Revenue (not including raw materials)	**584.1**	**606.2**
EBITDA	**56.4**	**45.0**
EBIT	**20.4**	**6.1**
Loss before non-recurring items	**(5.1)**	**(15.7)**
Net non-recurring expense	***(42.4)***	***(2.6)***
Effect of IFRS measurement of inventories	***(27.3)***	***1.4***
Consolidatedloss for the year	**(73.1)**	**(18.5)**
Net financial debt	**231.7 (31.12.2015)**	**243.5 (31.12.2014)**
Equity attributable to owners of the Parent	**299.4 (31.12.2015)**	**358.5 (31.12.2014)**

Beginning from 2015, KME AG decided to publish its own Consolidated Financial statements. This led to a change in the comparative data for 2014 especially with respect to non-recurring income/(expenses) and equity. The latter was influenced by the recognition of goodwill in the amount of Euro 241.6 million, which arose as a result of the first time adoption.

Consolidated revenue in 2015 amounted to a total of Euro 1,974.8 million, down by 2.6% on 2014, when it was Euro 2,027.9 million. The lower prices of raw materials influenced this reduction. Excluding their impact, revenue declined from Euro 606.2 million to Euro 584.1 million, down 3.6% (2.9% on a like-for-like basis).

Gross operating profit-EBITDA in 2015 was Euro 56.4 million; it was higher than in 2014 when EBITDA was Euro 45.0 million (+25.3%). The reduction in the cost of labour (- 9.6%) and the other operating costs (- 2.3%) confirms a positive effect of the streamlining and flexibility measures that were adopted.

Operating profit-EBIT stood at Euro 20.4 million (Euro 6.1 million in 2014).

The **Loss before non-recurring items** was Euro 5.1 million (loss of Euro 15.7 million in 2014).

The consolidated loss of the coppersegment, **after taxes**, at the end of December 2015 amounted to Euro 73.1 million (loss of Euro 18.5 million in 2014).

The following affected the 2015performance:

- non-recurring expenses of Euro 42.4 million (in 2014 there was non-recurring income of Euro 2.6 million) almost entirely due to the costs connected to the operating unit restructuring program currently underway;
- the negative impact of the IFRS measurement of the inventory of Euro 27.3 million, due to the significant price reduction of the copper raw material during 2015 (Euro 918.71/ton).

The **Net Financial Debt** as at 31 December 2015 was Euro 231.7 million, improving with respect to the debt at the end of December 2014 when it was Euro 243.5 million. The lower debt derives from the further optimisation of capital.

At the beginning of 2016, the Group began negotiations for renewal of the respective expiring contracts with the bankingsyndicate, GE Commercial Finance and Mediofactoring .

The contract with the banking syndicate refers to the two credit lines named:

- "tranche a" which was granted in revolving form to cover requirements connected to the inventories of the industrial companies.

- “tranche b” which was granted in revolving form to cover intra-month requirements connected to the inventories of the industrial companies;

These credit lines can be used in revolving form by the group up to a total amount of Euro 505 million and they expire on 31 July 2016.

The contract with GE Commercial Finance is relative to the Non-recourse factoring contract with credit lines of Euro 355 million. The contract with Mediofactoring SpA (currently Mediocredito Italiano SpA) refers to the granting of lines that can be used by the Italian or French companies for Non-recourse factoring up to an amount of Euro 178 million. Both contracts expire on 30 June 2016.

To date, the banks have confirmed their willingness to renew without substantial changes to the credit lines in existence and the respective credit authorisation process are in an advanced phase. The Directors reasonably expect that under the current situation, there are no reasons to believe that approval by the banking pool, GE Capital and Mediofactoring should not be granted by mid May 2016.

The Group **equity** at the end of 2015 equal to 299.4 million; the decrease compared to 2014 is due to the loss for the year. The carrying amount of the shareholders’ equity, as already indicated, includes goodwill of Euro 241.6 million which arose from the first time adoption.

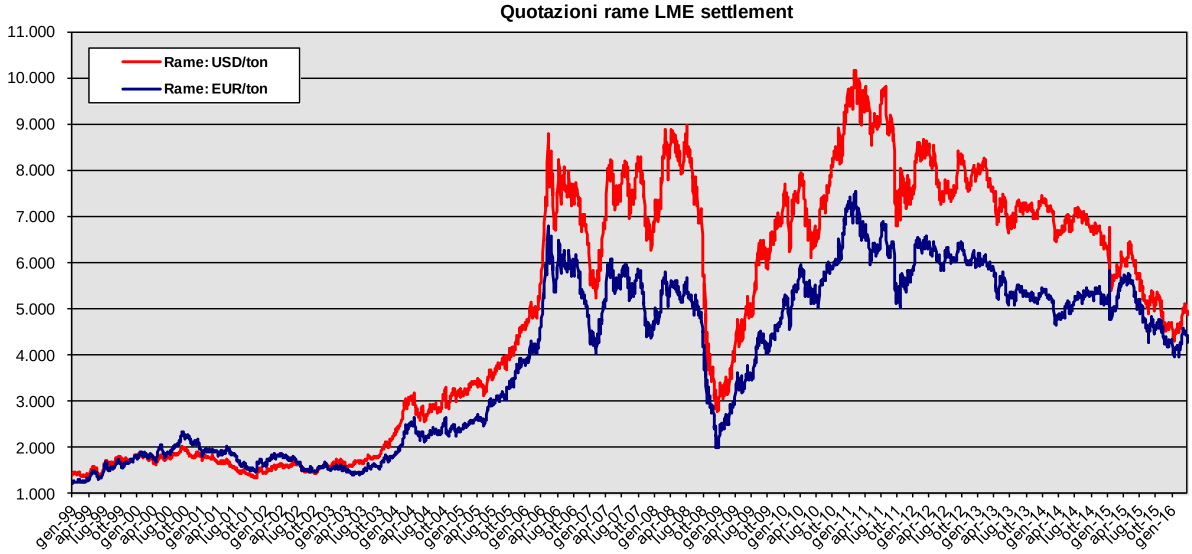
In 2015, the **Investments** of the copper segment’s production units totalled Euro 16 million (Euro 24.7 million in 2014).

The **Workforce** as at 31 December 2015 numbered 4,713 units (5,136 as at the end of 2014).

Regarding the **business outlook**, confirmation of the positive prospects of the copper sector performance are very closely connected to the actual realization of the expectations for economic recovery in Europe. Over the next few months, the benefit will become noticeable of the reduced operating costs connected to the execution of the restructuring that has been completed or is continuing to be carried out in the various operating sectors and countries in which KME Group operates.

The **price of copper** decreased by 20.0% in US$ in 2015 compared to the same period of the previous year (decreasing from US$ 6,882/ton to USD 5,504/ton) and by 3.7% in Euros (from Euro 5,150 to Euro 4,958) due to the appreciation of the USD. In terms of trend, the average prices of copper in fourth quarter of 2015 recorded a decrease, with respect to those of the third quarter of 2015, equal to 7.0% in US$ (from US$ 5,251/ton to US$ 4,882/ton, and a reduction of 5.7% in Euro (from Euro 4,724/ton to Euro 4,453/ton).

In the first quarter of 2016, the average prices of copper continue to drop, reaching an average in the quarter of US$4668/per ton, which corresponds to Euro 4,238/ton.



Private Equity

The investment in the private equity segment is represented by the Company's equity investment in I2 Capital Partners SGR SpA, the debit and credit relations with it and the unit of the I2 Capital Partners fund held directly by Intek Group.

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
I2 Capital Partners fund	7,345	7,704
I2 Capital Partners SGR Investment	2,500	2,501
Loans and borrowingsdue to I2 Capital Partners SGR	(1,310)	(1,951)
Other	45	34
Total Private Equity	**8,580**	**8,288**

For comments on the equity investment in I2 Capital Partners SGR, please see the section "*Main subsidiaries which are instrumental to the operations of Intek Group*".

I2 Capital Partners fund

Intek holds a 19.15% share of the Fund.

Following the end of the Fund's investment period, starting from July 2012, the activity of the fund was focused on enhancing the value of the assets present in its portfolio.

Following the acceleration of the activity involving the enhancements of the fund investments, the result for 2015 shows a profit of Euro 8.9 million and mainly due to the reversal of the impairment losses on the investee Isno 3 of Euro 6.8 million and the dividends collected from Isno 4 and Benten totalling Euro 3.5 million, and net of the operating expenses of Euro 1.4 million.

As at 31 December 2015, the fund had invested for a total of Euro 94.2 million, including disposals. Also on that date, the Fund had redeemed fund units to subscribers totalling Euro 78.5 million, of which Euro 15 million referred to Intek Group.

The fair value at 31 December 2015 was Euro 38.4 million, of which Euro 7.3 million referred to Intek Group (respectively Euro 40.2 million and Euro 7.7 million at 31 December 2014).

The table below shows the fair values of the main investments in existence at 31 December 2015 which refer to the Intek Group, compared to 31 December 2014.

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Isno 3 S.r.l - official assignee of the court-approved arrangement with creditors of Festival Crociere S.p.A.	2,308	2,308
Isno 4 S.r.l - official assignee of the court-approved arrangement with creditors of OP Computers S.p.A.	575	957
Nuovi Investimenti SIM S.p.A.	2,490	2,490
Benten Srl - (official assignee of the court-approved arrangement with creditors of Mediafiction S.p.A.)	19	19
Safim Leasing S.p.A. in liquidation	5	5
Fei in liquidation S.r.l.	10	10
Editoriale Vita	2	2
Alitalia – Compagnia Aerea Italiana S.p.A.	77	77
Nuova GS S.r.l. / Selecta S.p.A.	-	-
Total Equity Investments	**5,486**	**5,868**

Total Equity Investments include Other net assets/liabilities of Euro 1.9 million, mainly consisting of term deposits and receivables arising from insolvency procedures, and bring the fair value referring to Intek to Euro 7.3 million.

As the date for closing of the fund approaches, this being set forth in the regulation for July 2017, over the last few months the conditions for acceleration of the liquidation of a large part of the investment still in existence were fulfilled, and are currently simplified.

The definition of the various settlement and agreements has allowed Isno 3 to collect a little less than Euro 10,000,000 in 2015, while in February 2016 the Fund collected an additional Euro 5 million for the Safim Factor receivable.

The residual assets of the Fund as at 31 December 2015 consists of certain assets the realization of which is considered to be quite probable, while the element of uncertainty is connected to the timing of their relative collection, and other investments that encompass a higher risk, also in terms of realizable value. The following are part of the first group i) tax credits (approximately Euro 2 million) and the probable confirmation of certain receivables that cannot be collected from debtors (Euro 1 million) referring to Isno 4 and ii) a portion of the Benten tax credits, Benten being a 30% investee (of which Euro 10 million approximately were collected in March 2016). The receivables from the significant lawsuit initiated by Isno 3 against Credit Agricole and from the equity investment in Nuovi Investimenti SIM are less predictable, in terms of the amounts to be collected and the time. Assessment of the investments in Nuova GS (Selecta) and Alitalia is more problematic and risky.

Following is a brief description of the main investments in existence at 31 December 2015.

Isno 3 S.r.l /Festival Crociere Procedure

In 2008, the fund became the assignee of the Festival Crociere S.p.A bankruptcy procedure, through the newly established vehicle Isno 3 S.r.l. with a commitment equal to Euro 12 million.

The financial statements of Isno 3 at 31 December 2015 had assets consisting mainly of cash and cash equivalents of approximately Euro 8 million. Equity was approximately Euro 10.2 million.

Over the year under review, management mainly focused on reaching agreements that would accelerate the collection times, reduce costs and risks of disputes still ongoing. This activity made it possible to close three different club at the actions during the year, which had been opened over 10 years ago, and Euro 10 million was collected. The largest collection (Euro 7.2 million) was from the French Company Auxiliare Maritime, against which a ruling was pending in the court of appeals of Genoa for payment of approximately Euro 12 million to Isno 3.

Based on the accounting treatment of ongoing disputes, which are not presented under statement of financial position assets even if they are relative to disputes involving a significant amount, the amount collected, net of the costs incurred for the lawsuits, constitutes a profit for the company, before taxes.

Once the disputes indicated above have been resolved out of court, there will remain two lawsuits involving Isno 3.

The first, of a very significant amount, is against Credit Agricole and other defendants. It should be mentioned that, in December 2012, the Court of Genoa issued a first instance ruling, which rejected the main claims made by Isno 3, sentencing GIE Vision Bail only, which is 100% owned by Credite Agricole, to pay Euro 6.8 million, plus interests, as a bankruptcy rescindment. The next appeal hearing is set for July 2017.

The second lawsuit refers to the petition of the Tax Authorities regarding the tax on the 2008 agreement with creditors initiated by Isno 3, which was paid at a fixed rate. The Tax Authorities claim however that the tax should have been calculated proportionally (3%) to the value of the agreement and has requested the company to pay the difference of approximately Euro 0.9 million. The provincial tax commission, which received the appeal made by the company, cancelled the ruling of the Tax Authorities which in turn also appealed. The efforts are currently being made between the tax offices and the company, to reach a settlement agreement.

Isno 4 Srl/OP Computers S.p.A

In November 2015, a settlement agreement was reached between Isno 4 and the Italian Tax Authorities (AGE) thanks to which the company ended 2014 with a profit of approximately Euro 5.5 million.

In April 2015, as a consequence of the positive result, the Isno 4 Shareholders' Meeting resolved to distribute a dividend of Euro 3 million to the Fund, which was paid in the following month of June.

As at 31 December 2015, the assets of Isno 4 consisted of cash and cash equivalents of approximately Euro 0.7 million and tax credits, in the form of refunds, of approximately Euro 2 million.

Nuovi Investimenti SIM SpA

At the end of 2010, the Fund recovered the company Nuovi Investimenti SIM S.p.A. from the bankruptcy of Alpi Biellesi. This company is active in trading on its own behalf and in asset management. This latter activity is carried out through the subsidiary Alpi Fondi SGR SpA and the investment funds managed by it.

With a total investment of Euro 7.7 million, the Fund holds 100% of the SIM’s share capital.

At 31 December 2015, the company realized at the consolidated level EBIT of approximately Euro 1.1 million (as compared to Euro 1.0 million in 2014). The operations of Nuovi Investimenti in the first quarter of 2015 were characterized by a very positive results, due to the initiation of the ECB’s quantitative easing. Subsequently, the performance of the group was influenced negatively by a series of economic phenomena, which persist currently, consisting in particular of the level of interest rates which is close to zero and the unexpected contraction of the volumes in the fixed income securities section, especially treasury securities.

The consolidated net profit for 2015 was Euro 0.4 million, after payment of Euro 0.4 million for the lawsuit and Euro 0.5 million net for other non-recurring items and taxes.

Relatively to the subsidiary Alpi Fondi SGR we note that growth continued, though at a less rapid pace, of the volumes managed by its funds, which increased from Euro 143 million at the end of 2014 to Euro 168 million at 31 December 2015.

Following an initial phase of researching possible purchasers of the company which led, at the end of 2014, to the submission of an expression of Interest, which the Fund refused, new actions will be started in 2016 to increase the value of this investment.

Benten Srl

At the end of 2011, against Euro 1.1 million, the fund became a 30% quotaholder of Benten S.r.l, which was established in order to carry out the composition with creditors of Mediafiction, belonging to the Cecchi Gori Group.

From the lawsuits initiated by the company and certain tax credits, Benten achieved positive result totalling Euro 7.8 million, which, insofar as the 30% held in the company, allowed the fund to earn dividends of Euro 2.0 million between 2013 and 2015. In March 2016, Benten paid a dividend totalling Euro 7.0 million, of which Euro 2.1 million was paid to the Fund.

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

In particular, the company has a VAT credit of approximately Euro 10.0 million, which has been challenged by the Italian Tax Authorities (AGE) The company has already made an appeal to the Provincial Tax Commission against the AGE and is waiting for the date of the first hearing to be set.

Other non performing loans

In February 2008, the Fund acquired discounted receivables worth a nominal amount of Euro 19 million from Safim Factor under compulsory liquidation, against a total outflow of Euro 4.5 million. From 2009 to date, the fund has obtained partial reimbursements from the procedure of approximately Euro 19 million, including Euro 5 million collected in February 2016.

The company Safim Leasing SpA under liquidation also belongs to this category, and constitutes the object of an agreement with the fund. Against an investment of Euro 0.5 million, the Fund has collected Euro 1.5 million and believes that continuing the liquidation will result in further profits connected to tax credits.

Alitalia – Compagnia Aerea Italiana

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

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

In August 2014, the negotiations with Etihad Airways continued. The latter was the only business partner that continued negotiations to merge with Alitalia, which led to the addition of the latter into the capital of the new loan Alitalia (SAI -Società Aerea Italiana) through a complex transaction which included the share capital increase of Euro 250 million. The Fund did not subscribe to its own share capital increase and therefore the equity investment held decreased considerably, also due to the conversion of the preferred shares in the various categories, mainly due to payables to the banks financing the company.

The UAE based company now holds 49% of the newco Alitalia SAI, while 51% is held, through Midco, by Alitalia CAI, which the Fund participates in with the share of approximate 0.14%. Due to the issuing of the above-mentioned senior shares, the Fund's rights in Alitalia CAI are lower than the voting rights.

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

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

The financial performance for the year ended 31 December 2015 was positive and in line with the forecasts of the new business plan prepared by management for 2015-2017, and based on the update of the 2011 agreement with Poste Italiane SpA.

The pre-closing consolidated data for 2015 show (i) turnover equal to Euro 35 million (Euro 39 million as at 31 December 2014) and EBITDA that is positive by Euro 5.7 million (16% of period sales), against EBITDA of Euro 6.1 million recognized in the previous year. This performance places Selecta in first place in its reference segment, in terms of operating efficiency.

Despite this fact, the overall situation of Selecta contains elements of significant uncertainty. The reference market of printing and placing into envelopes of mandatory communications, remains difficult. The process of the progressive dematerialization of communications (there is a general and increasing preference for sending communications in digital format) place a strong pressure on the volumes and margins, while the competition from operators that offer the same service in bundled form with forwarding and at more and more competitive prices is significant.

Consolidated debt as at 31 December 2015 increased compared to 31 December 2014 by Euro 2.7 million (from Euro 22.3 million to the current Euro 25 million) due solely to the new debt restructuring agreement with POSTE that provided for part of the outstanding debt (Euro 3 million) to be added to the financial debt. This debt is almost exclusively to Poste Italiane, which is also a competitor (through its subsidiary Postel) and a provider of forwarding services. The level of indebtedness at the consolidated level amounts to Euro 37 million, which includes the Euro 12 million due to the two banks that provided the acquisition financing.

In the last few years, Selecta has begun to diversify its activity to include the activities that are adjacent and provide synergies with the company's traditional activities, in particular the digital customer interaction services through the subsidiary Selecta Digital Service SpA and the contact center activities, through the subsidiary Selecta Customer Services Srl.

* * *

Non operating assets

They can be summarised as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
FEB - Ernesto Breda Equity investments	18,500	15,335
Former Fime receivables (minus advances)	6,262	6,548
Other non-performing receivables (tax credit and from arrangements with creditors)	6,656	6,867
Net assets former Isno 2	(40)	62
Provision for risks	(3,154)	(3,585)
Loans and borrowings to FEB - Ernesto Breda	(14,829)	(18,834)
Loans and borrowingsto Breda Energia in liquidation	(1,987)	(1,537)
Other	(350)	(302)
Total Non operating assets	**11,058**	**4,554**

FEB - Ernesto Breda

The fair value at 31 December 2015 of the investment in FEB - Ernesto Breda was equal to Euro 18.5 million compared to Euro 15.3 million at 31 December 2014.

During the year, the efforts to increase the value of the assets and to streamline the structure continued. These actions allowed the company to end 2015 with a profit of Euro 6.3 million (profit of Euro 0.6 million in 2014), attributable mainly to the settlement of the dispute with SGA- Società per la Gestione di Attività SpA, which generated a profit of Euro 3.5 million and prior year income on the prescribed debts.

The conclusion of the agreement with SGA - Società per la Gestione di Attività SpA ("SGA") made it possible to end the dispute which had been initiated by SGA relating to conditional loans relative to guarantees granted to the former subsidiary Isotta Fraschini against which a risk provision had been made of Euro 6 million. The agreement, which required a financial outlay of Euro 4.5 million resulted in the loan involved in the Isotta Fraschini lawsuit being transferred to FEB.

At the beginning of 2015, the company collected the VAT credit of Euro 619 thousand.

Bredafin Innovazione SpA and Breda Energia SpA, for which in 2012 agreements with creditors were executed pursuant to article 214 L.F.e. and, in the initial months of 2014, they officially exited the compulsory administrative liquidation. During 2015 the subsidiaries collected tax credits of Euro 492 thousand, which are added to the Euro 1,090 thousand collected during 2014.

The reciprocal current account with the parent Intek Group continued. It generated interest income for FEB of Euro 494 thousand during the year. The balance at 31 December 2015 of this account is equal to Euro 14.8 million. As part of the liquidity management, there is an active reciprocal transaction account held with Breda Energia which at 31 December 2015 had a negative balance for FEB of Euro 3.2 million, while the one with Bredafin Innovazione had a balance of zero at the end of the year. The financial investments produced positive effects of Euro 189 thousand in the income statement.

* * *

The credit recovery activity related to the former Fime and Isno 2 assets continued. This activity resulted in collections during the year totalling Euro 1.8 million.

* * *

The provision for risks amounting to Euro 3.2 million refers to the disputes connected to the former Fime management. They have decreased compared to last year, due to the favourable conclusion of some disputes.

* * *

Property/Other

The Real Estate/Other assets segment can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Equity investment in I2 Real Estate	12,400	13,400
Equity investment in Rede/Malpaso	2,362	7,930
Land and buildings	32	257
Land and buildings IFRS 5	941	716
Loan assets from I2 Real Estate	6,447	3,942
Loan assets from Rede Immobiliare	196	-
Equity investment in Progetto Ryan 2	400	400
Other	321	559
Total Real Estate/Others	**23,099**	**27,204**

The real estate operations are carried out through the subsidiaries Malpaso and Rede Immobiliare, and recognised as investment activities. On the other hand, Intek operations involving the equity investment in I2red Real Estate (which holds 100% of the shares of Tecno Servizi Srl) are considered to be instrumental to its operations.

Regarding I2 Real Estate, in January 2015 two property units located in Sicily were sold for Euro 2 million and concurrently, the last tranche of the debt to Futura Fund Sicav was repaid.

During 2015, I2 Real Estate and other partners established the special purpose entity Fossati Uno Srl- a 35% investee. The purpose of the SPE is to upgrade the area around the former Fossati plant in Sondrio, which was purchased at the end of the year. Up to 31 December 2015 the transaction involved an overall usage of Euro 2.9 million of financial resources, of which Euro 0.9 million were already present in the 2014 financial statements, as advance deposits.

I2 Real Estate maintains all relations with Tecno Servizi Srl directly and has continued to finance its cash requirements.

In financial terms, the investments and sales carried out by I2 Real Estate during the year were financed by Intek Group. This led to an increase in the indebtedness towards Intek Group of Euro 2.5 million, with a decrease of the banking exposure due to the reduction of the loans. In 2015, the existing UBI loan was split, and the payable to the bank was therefore decreased by Euro 0.8 million as was the receivable of the same amount from the entity which acquired a part of the properties located in Padua; this amount is not a full payment and therefore the amount which continues to be covered by the company is recognised in the memorandum and contingency accounts.

The renting out of the property located in Ivrea (Turin) in the industrial area of San Bernardo continued until the end of 2015 with the bankruptcy procedure of the previous tenant; currently options for recovery of the investment are being assessed.

No developments have been indicated regarding the Varedo property, which is owned through Tecno Servizi. Interest is being expressed by various operators without any specific expressions of interest having been submitted.

The collection of the receivables remaining in the portfolio continues. This was the object of the liquidation of the Ryan 2 Project (formerly Meccano Srl). A portion thereof of an amount of Euro 200 thousand was acquired by Intek Group over the course of 2016 and was subsequently contributed to a new company named Mecchld through a 20% purchase thereof. This company will provide debt mediation services directly or through subsidiaries.

At the end of 2015, the property used as an industrial factory located in Borgo Panigale, Bologna was held through Rede Immobiliare. The sales price was Euro 18 million. Rede will receive an earn out of 30% of the difference between the price received and the amount collected from the potential sale to third parties of the property within the next seven years and also from the income earned from the special shares issued by the tenant of the property at the time it was sold, which shares are subscribed entirely by Rede Immobiliare. These shares provide a 2% privilege compared to ordinary shares in the event of a dividend distribution and, in the event of sale of the tenant, they shall be converted into ordinary shares and shall carry the same rights as those afforded to the transferring shareholders.

The sale of the property made it possible to extinguish all the loans and borrowings to third parties whether incumbent upon Rede Immobiliare or Malpaso (a 100% owned subsidiary of Intek Group), which holds 51.02% of Rede Immobiliare.

The fair value as at 31 December 2015 of the overall investment in Malpaso and Rede is equal to Euro 2.4 million, compared to Euro 7.9 million at 31 December 2014.

* * *

Financing activities

As illustrated above, in the first quarter of 2015, the Company initiated an optional share-for-share offer covering 22,655,247 Intek Group 2012-2017 outstanding bonds and 115,863,263 *"Intek Group SpA 2012 – 2017 Participatory Debt Financial Instruments"* and a concurrent offer to subscribe to a bond loan, totalling approximately Euro 40 million, which can be increased by the Company to approximately Euro 101.7 million, depending on the level of participation in the share offer.

Upon conclusion of the transaction, 4,708,507 new bonds were issued at a unit value of Euro 21.60, for a total value of Euro 101.7 million, listed on the Borsa Italiana's electronic bond market (MOT). The duration of the bonds is from 2015 to 2020, with an interest rate of 5%, against the 8% interest rate of the 2012 – 2017 Intek Group bond issue and the Participatory Debt Financial Instruments from the Exchange Offer and repaid, as required, to all subjects who did not participate in the offer.

The net liquidity from the transaction of Euro 38.2 million, in addition to the liquidity already available to the Group, was equal to Euro 83.3 million at 31 March 2015.

The cash at banks during the year was partially invested in financial instruments, particularly harmonised Collective Investment Undertakings (Investment funds), with absolute yield investment policies. The average investment during 2015 was approximately Euro 24 million. The total target funds invested in reached a maximum of 10, so that appropriate diversification of the portfolio is ensured. Moreover, during the period under review, a gradual construction of the portfolio took place, so that increased investment during the highest volatility period was inevitable. In the construction of the portfolio, diversification by asset class (equities or bonds) and by management style were privileged.

This approach allowed for the construction of a diversified portfolio which is less sensitive to the changes in the traditional markets. During the period under review, the portfolio generated a total loss of approximately Euro 200 thousand, but posted profits up to the month prior to the last month of the year. The intensification of the Greek crisis and the jolt experienced on the bond markets confirmed the overall prudence used in regard to the portfolio of absolute yield funds. However, the gradual deterioration experienced by the markets eroded the profits that had been achieved prior to the end of the year. Overall, the portfolio is much less volatile, and even under more complex conditions its fluctuations were moderate and in line with the objectives defined.

A portion of the financial resources were temporarily invested in favour of the subsidiary KME AG.

Group performance

It should be noted that, following the application of the standard relating to the investment entities occurred at the end of the 2014, the figures of the consolidated financial statements are aligned with those of the separate financial statements except for the effects of the fair value measurement of the investments held by the sub-holding KME Partecipazioni.

As a result of the exclusion from the consolidation of the industrial investment in KME AG, the management income statement that showed the impacts of the different valuation of inventories is no longer presented. The statements are modified by making them similar to those already used for preparing the separate financial statements at 31 December 2014. The figures are compared with those of the same period of the previous year and, in order to allow a better comparison, the latter were restated by reclassifying in a single item costs and revenues related to the previously consolidated assets. The consolidated financial statements include, in addition to the Parent, the subsidiaries in furtherance of the company object for the totality KME Partecipazioni, I2 Capital Partners SGR and I2 Real Estate. From 1 July 2015, Immobiliare Pictea Srl is also included, following acquisition of its control.

In reference to thefinancial position, consolidated equity can be summarised as follows:

Consolidated equity		
(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Share capital	314,225	314,225
Reserves	127,131	(27,738)
Profit for the year	6,169	155,851
Equity attributable to owners of the Parent	**447,525**	**442,338**
Equity attributable to non-controlling interests	-	-
Total equity	**447,525**	**442,338**

The 2014 profitfor the year benefited from the effects of the application of the standard related to the investment entities of Euro 146.6 million.

The net consolidated invested capital was as follows:

Net consolidated invested capital		
(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Net non-current assets	485,746	454,377
Net working capital	18,332	17,900
Net deferred taxes	3,476	6,905
Provisions	(5,401)	(6,572)
Net invested capital	**502,153**	**472,610**
Total equity	447,525	442,338
Net financial position	54,628	30,272
Sources of financing	**502,153**	**472,610**

The "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 non-current assets except for deferred tax assets.*
- *"Net working capital" consists of the sum of the items "Trade receivables" net of "Trade payables" and "Other current assets/liabilities", except for the items previously considered in the definition of "Net financialposition".*
- *"Net provisions" includes the items "Employee benefits" and "Provisions for risks and charges".*

The reconciliation between the equity of the separate financial statements and the consolidated financial statements is the following:

(in thousands of Euro)	*31 Dec. 2015*
Parent's Equity including performance of the year	**449,184**
Measurement of ErgyCapital (shares and warrants) at fair value	(1,331)
Measurement of investments at fair value	2,887
Measurement of securities at fair value	1,026
Excess cost allocation on property (net of tax effect)	4,150
Equity of consolidated companies (difference with the investmentcarrying amount)	(8,391)
Group consolidated Equity including result of the year	**447,525**

The Group's **financial position** as at 31 December 2015 was equal to Euro 54.6 million compared to Euro 30.3 million as at 31 December 2014. The increase is due to the investment for the purchase of the property in Milan at Foro Bonaparte 44 and Euro 3.3 million of the increase is due to non-current loans to related companies, which mostly operate in the property segment.

At 31 June 2015 the Group had liquidity and investments in flexible, low risk and easy to liquidate instruments, of Euro 27.0 million.

Reclassified net financial position			
(in thousands of Euro)		*31 Dec. 2015*	*31 Dec. 2014*
Current loans and borrowings		5,218	5,140
Non-current loans and borrowings		7,630	1,482
Loans and borrowings due to Group companies		16,816	20,372
(A) Loans and borrowings	**(A)**	**29,664**	**26,994**
Cash and cash equivalents		(10,947)	(48,940)
Other financial assets		(27,574)	-
Current loan assets due from Group companies		(37,304)	(7,772)
(B) Cash and current loan asset	**(B)**	**(75,825)**	**(56,712)**
(C) Consolidated net financial position before outstanding securities	**(A) + (B)**	**(46,161)**	**(29,718)**
(D) Outstanding debt securities (net of interest)		**100,789**	**59,990**
(E) Consolidated net financial position	**(C) + (D)**	**54,628**	**30,272**
(F) Non-current financial assets		**(13,345)**	**(10,085)**
(G) Total net financial position	**(E) + (F)**	**41,283**	**20,187**

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

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

(in thousands of Euro)		*2015*	*2014*
(A) Cash and cash equivalents at the beginning of the year		**48,940**	**1,692**
Profit before taxes		7,089	163,604
Amortisation of intangible assets and depreciation of property,plant and equipment		263	126
Impairment losses on current assets		170	-
Impairment losses (reversal of impairment losses) on non-current assets other than financial assets		620	110
Impairment losses (reversal of impairment losses) on investments and financial assets		(16,003)	(181,174)
Changes in provision for pensions, post employment benefits and stock options		4	117
Changes in provisions for risks and charges		(249)	3,449
Increase/decrease in investments		(1,211)	-
(Increases) decreases in financial investments and financial assets		(26,108)	73,659
Increase (decrease) in current and non-current loans and borrowings from related companies		(3,557)	8,471
(Increase) decrease in current and non-current loan assets from related companies		(34,323)	525
Decrease in current receivables		3,939	6,895
Decrease in current payables		(3,099)	(514)
Taxes paid during the year		(1,307)	(2,076)
(B) Total Cash flows from (used in) operating activities		**(73,772)**	**73,192**
Increases in non-current tangible and intangible assets		(204)	(90)
Decrease in non-current intangible assets and property, plant and equipment		3	1
Investments in instrumental equity interests net of acquired cash		(9,968)	-
Increase/decrease in other non-current assets/liabilities		848	(330)
(C) Cash flows used in investing activities		**(9,321)**	**(419)**
(Purchase) sale of treasury shares and similar shares		(835)	370
Increases/(Decreases) in current and non-current loans and borrowings		45,983	(23,894)
Increase in current and non-current loan assets		(48)	(2,001)
(D) Cash flows from (used in) financing activities		**45,100**	**(25,525)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(37,993)**	**47,248**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**10,947**	**48,940**

The income statement was restated insofar as the data presented previously so as to be comparable with the data in the reference financial statements. For further details, please refer to the notes to the consolidated financial statements.

The consolidated income statement is the following:

Consolidated Income Statement		
(in thousands of Euro)	*2015*	*2014*
Net income from investment management	16,015	181,174
Commissions on guarantees given	3,223	4,708
Other income	2,349	2,638
Personnel expenses	(2,193)	(3,064)
Amortisation, depreciation and impairment losses	(883)	(314)
Other operating costs	(6,258)	(11,611)
Operating profit	**12,253**	**173,531**
Financial income	1,101	700
Financial expense	(6,265)	(10,627)
Net financial expense	*(5,164)*	*(9,927)*
Profitbefore taxes	**7,089**	**163,604**
Current taxes	930	(1,160)
Deferred taxes	(1,850)	(916)
Total income taxes	**(920)**	**(2,076)**
Net performance from Investment Entity activities	**6,169**	**161,528**
Net result from previously consolidated assets	-	(5,563)
Profit for the year	**6,169**	**155,965**

* * *

Other information

Related party transactions

Related party transactions, included infragroup 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 tomarket trends.

In June 2015, a current account contract was concluded with KME AG for an amount of Euro 15.0 million, subsequently increased during 2016 up to Euro 50 million, for a duration of one year with interest set at three month Euribor plus 3.75%. At 31 December 2015, the balance of this current account was Euro 29.7 million and it produced interest income of Euro 0.5 million.

Intek Group has loans from the parent Quattroduedue SpA amounting to Euro 1.5 million, with interest at Euribor plus a spread of 300 basis points.

As at 31 December 2015, there were loans in existence to ErgyCapital (Euro 4.2 million from KME Partecipazioni), Progetto Ryan 3 in liquidation, formerly Culti Srl (Euro 0.5 million), Culti Milano Srl (Euro 1.4 million from KME Partecipazioni) and Rede Immobiliare Srl (Euro 0.2 million). The parent has also lent I2 Real Estate Euro 6.4 million which was eliminated in the consolidated financial statements.

The existing amounts borrowed from non-consolidated companies refer to FEB- Ernesto Breda (Euro 14.9 million), and Breda Energia (Euro 2.0 million).

Intek Group also owes Euro 17.2 million to KME Partecipazioni (Euro 32.7 million as at the date of this report), the interest on which is Euribor plus a spread of 175 BPS, it owes I2 Capital Partners SGR Euro 1.3 million (Euro 1,3 million at the date of this report) and it owes Immobiliare Ictea Euro 5.6 million (Euro 6.4 million at the date of this report). All these loans and borrowings are eliminated in the consolidated financial statements.

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

* * *

Pending litigations

Here below are the most important legal proceedings involving Intek Group.

As for the parent, we note the following:

In the initial months of 2016, some lawsuits were concluded which involved shareholders of Intek SpA (merged into the issuer) and KME Group SpA (currently Intek Group SpA) which had challenged the resolutions relative to the merger of 2012. Though the Company considered that the arguments and demands of the plaintiffs were unfounded in their entirety, it was nevertheless decided to settle in order to avoid the additional costs that would be incurred if the procedures were to continue. The settlement was signed in February of this year with the shareholder that held the highest number of shares in the case. The agreement required the full and final settlement of the amount of Euro 180 thousand, without admission that the demands put forth were founded.

On 25 March 2016, the other shareholders involved in the lawsuit also declared their waiver of the lawsuits pending before the Court of Ivrea and they will also waive their demands before the Court of Florence.

Regarding the lawsuit involving prior sales of assets referring to Deloro Stellite (for which a risk provision of Euro 1.3 million has been established), the Court of Cassation ruled against theCompany and further developments are now awaited.

During the year, the ruling issued by the Naples Court of Appeal in 2014 was suspended. It had sentenced Intek Group to pay Euro 2.6 million (against which a risk provision was made in 2014) to the bankruptcy receivers of Mareco Sistemi Industriali Srl as part of the lawsuits connected to the former Fime Leasing operations. The ruling of the Court of Cassation is awaited.

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

* * *

Regarding the disputes under way involving the Intek Group subsidiaries/investees, please refer to the specific sections dedicated to them.

* * *

Parent and ownership structure

The company is controlled by Quattroduedue Holding BV, which is based in Amsterdam (Holland), Vijzelstraat 68/78, through Quattroduedue SpA, a wholly-owned subsidiary of the aforementioned Quattroduedue Holding BV. At 31 December 2015, Quattroduedue Holding BV indirectly held 158,067,506 Intek Group ordinary shares, or 45.749% of the company's voting capital.

Following the assignment of the aforementioned savings shares, Quattroduedue SpA became also the holder of 1,424,031 savings shares.

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

* * *

Staff

At 31 December 2015, Intek Group had 13 employees, of whom 3 executives and 10 clerical.

Following is the average number of employees in consolidated companies, as compared with 2014:

	2015	*2014*
Executives	4	4
Clerical	13	13
Total	**17**	**17**

* * *

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

* * *

Treasury shares

At 31 December 2014, the Company held 5,095,746 ordinary treasury shares (equal to 1.475% of this category's shares) and 978,543 savings treasury shares (equal to 1.953% of the category's share capital). In addition, as at 31 December 2014, the 100%-owned subsidiary KME Partecipazioni held 2,512,024 INTEK Group savings shares, 5.013% of the relevant share capital.

In March 2015, Intek Group initiated a program for the purchase of its ordinary treasury shares against a maximum amount of Euro 1.5 million, for the purposes and within the limits set by the authorization granted by the ordinary shareholders' meeting held on 11 June 2014. 764,000 ordinary shares were purchased in the first half of 2015.

In June 2015, the subsidiary KME Partecipazioni assigned to Intek Group, as part of the dividend distributed on the profits realised in 2014, the 2,512,024 savings shares it held. Therefore, the Company holds 3,490,567 savings shares (6.966% ofthe relevant share).

In July 2015, in execution of the resolution of the shareholders' meeting held on 19 June 2015, 3,478,766 saving shares were assigned for free to all Intek Group's shareholders, owning both ordinary and savings shares, as a distribution of the available reserves via allocation of savings shares held by the company in a ratio of one savings share against every 111 ordinary shares and/or saving shares held. Following this allocation, 11,801 saving shares remain in the Company's portfolio.

In September 2015, Intek Group initiated a program for the purchase of up to 2,000,000 of its ordinary treasury shares up against a maximum amount of Euro 1 million, for the purposes and within the limits set by the authorization granted by the ordinary shareholders' meeting held on 19 June 2015.

As at the date of this report, 1,860,194 ordinary shares had been purchased bringing the total percentage held to 2.23% of the voting capital (1.9514% of the total capital).

* * *

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

* * *

Update in matters of governance

In line with what performed in previous years, we would now like to update the corporate governance information provided with the financial statements at 31 December 2014 and the interim financial statements at 30 June 2015 with additional details in the Report on Corporate Governance and the ownership structure.

There were no changes to the entity and composition of the share capital. It is hereby reiterated that, as from 2 May 2013, the outstanding savings shares will have a single listing line characterised by the following ISIN codes:

- IT0004552375 as regards registered savings shares;
- IT0004552367 as regards bearersavings shares.

As already indicated in the interim financial report, we reiterate that:

- The Extraordinary Shareholders' Meeting of savings shareholders, held on 19 June 2015, appointed Simonetta Pastorino as the common representative of all the shareholders in this class. She will remain in office for a three-year period until the shareholders meeting summoned for the approval of the financial statements at 31 December 2017;
- the Extraordinary Shareholders' Meeting held on that date approved the changes to the Articles of Association following the (i) cancellation of the "*Strumenti finanziari*

partecipativi di natura obbligazionaria Intek Group SpA 2012 -2017" and (ii) the introduction of the increase in the voting right pursuant to art. 127 quinquies of Legislative Decree 58/1998;

- the special meeting of holders of savings shares held on 17 July 2015 did not approve the proposal for the mandatory conversion of the shares in this class into ordinary shares as proposed by the Board of Directors on the basis of a conversion ratio of 1:1 ordinary shares plus an adjustment in cash of Euro 0.20 for each savings share. As a result, the extraordinary shareholders' meeting of the company that was held on the same day was not able to deliberate on this issue.
- in the meeting of 5 August 2015, including based on the provisions set forth in Consob communication DEM/10078683 of 24 September 2010, the Board of Directors, taking into account the favourable opinion of the Control and Risk Committee, approved the updated version of the Procedure regarding transactions with related parties which entered into effect as from 1 September 2015.

* * *

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

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

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

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

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

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

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;

b) liquidity risk: can arise from the inability to raise financing for operating activities as and when required. The Group intends to meet its cash requirements for the repayment of non-current loans and borrowings and capital expenditure through cash flows from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit.

c) currency risk: the Group is exposed to the risk that the fair value of the investments outside the Euro area will fluctuate with changes in the exchange rates;

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.

e) risk of fluctuation of the share value: the Group is exposed to market fluctuations insofar as the listed shares it holds in its portfolio and changes in the market parameters used for determination of the value of equity investments through valuation techniques. The risk of fluctuations in the values of these equity interests, recognized under "investments in equity interests and fund units" is not actively managed using financial hedging instruments.

* * *

Significant events after 31 December 2015

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

Proposal to approve the 2015 financial statements

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

resolves

- to approve the directors' report at 31 December 2015 and the financial statements as a whole, and its individual entries and records with the provisions and uses proposed, which show a profit for the year of Euro 4,040,633;
- to allocate the profit for the year of Euro 4,040,633 as follows:
    - 5% to the legal reserve , up to Euro 202,032;
    - through allocation to the appropriate unavailable reserve, pursuant to article 6 of Italian Legislative Decree 38/2005 of the profits from application of the fair value criterion, of Euro 3,838,601.

Milan, 29 April 2016

The Board of Directors
The Chairman
(Vincenzo Manes)

Major subsidiaries that are instrumental to Intek Group operations

Following is a summary of the comments regarding the operations carried out in 2015 by the main companies, identified as instrumental to Intek Group operations and the companies controlled by them.

KME Partecipazioni SpA

KME Partecipazioni S.p.A. is a holding company of diversified equity investments which is entirely controlled by Intek Group, which manages and coordinates it pursuant to article 2497 et seq. of the Italian Civil Code. It was established in December 2010 in order to encompass the entities involved in industrial investments, other than the “copper” sector activities, into a group.

The carrying amount of the entire investment portfolio of the company amounted to Euro 61.0 million at 31 December 2015. This amount is entirely covered by own funds.

The investment in the “renewable energy” sector, which belongs to ErgyCapital, has a carrying amount of Euro 8.0 million and the investment in the minor operations (Ryan 3 Srl Project and Il Post) has a carrying amount of Euro 4.0 million. The additional investments consist of reciprocal loans with Intek Group and subsidiaries of KME Partecipazioni, granted at market rates and totalling Euro 22.8 million and the temporary use of Euro 24.2 million in financial market securities for available liquidity.

After having accompanied the investees in their respective areas of operations and the implementation of their strengthening and development programs, in 2014 and in line with the strategic guidelines of the Group, KME Partecipazioni took the opportunity to further exploit its major investment which consists of Cobra Automotive Technologies SpA, which is active in the integrated services sector focusing on risks associated with the use of vehicles, selling all the ordinary shares it possesses, through participation in an articulated voluntary public offer launched by Vodafone Global Enterprise Ltd. covering all the Cobra A.T. shares listed on the Borsa Italiana electronic equity market (MTA). The disposal resulted in the collection of Euro 74.3 million with gross capital gains for KME Partecipazioni of over Euro 34.0 million.

With thisdisposal, the volume of the equity investments held dropped very considerably and became much more concentrated. The decreased operating size of KME Partecipazioni therefore justified approval in 2016 of the plan to merge the company into the parent Intek Group.

The concentration of the remaining KME Partecipazioni investments in the parent will result in streamlined operations, and therefore lower operating expenses. The merger will make it possible to optimise the cash flows through the return to the parent of the available resources, thereby allowing them to be used directly to service the parent’s development strategies; this will also ensure optimised cash flows in terms of time due to the performance of the investments made.

Upon approval of the financial statements at 31 December 2014, the company decided to distribute a dividend of Euro 15 million and assign, as a dividend in kind, 2,541,312 Intek Group SpA savings shares which are held by KME Partecipazioni.

* * *

COMPANIES CONTROLLED BY KME PARTECIPAZIONI

ErgyCapital S.pA.

In 2015, ErgyCapital recorded revenue of Euro 15.1 million, down from Euro 17.0 million in the previous year.

Consolidated EBITDA is positive by Euro 7.3 million, also down compared to 2014 (Euro 8.7 million).

The loss for the years of Euro 2.7 million compares to the loss for 2014 of Euro 2.8 million).

The variance of the EBITDA is mainly due to the entry into effect of the new incentive scheme (the "incentive spreading" decree) which generated a contraction in the gross operating margin of the photovoltaic sector of approximately Euro 1.4 million, partially mitigated by the operating cost containment actions and the ongoing good performance of the Biogas sector, We therefore confirm the good profit margin as compared to revenues of approximately 49% (51% in 2014).

The net financial position moved from an indebtedness of Euro 71.3 million as at 31 December 2014, to Euro 66.7 million as at 31 December 2015, mainly following the reduction of the loans and borrowings relative to the photovoltaic and biogas plants.

Regarding the photovoltaic sector, we note the good performance of the plants which produced 24.7 Gwh in 2015, up by 5% compared to 2014 (23.5 Gwh). Also regarding the photovoltaic sector, at the end of January 2015 a decree was published by the Ministry of Economy and Finance which provides for the intervention of the State, in the form of a dedicated guarantee for the exposure of the Cassa Depositi e Prestiti (“Deposits and Loans Fund”) to the banking system for loans or guarantees in favour of the beneficiaries of the feed-in tariff. This State guarantee, which is direct and payable upon first demand, will be granted at a cost and will guarantee up to 80% of the amount of each transaction. This provision completed the regulatory framework albeit with a significant lag time, taking the first step toward the definition of the operating procedures for the loans that the banking system is expected to provide in support of the requirements generated by the reduction of the incentive tariffs.

These loans are currently not accessible because the credit institutions and the Deposits and Loans Fund have yet to define the operating procedures for their activation.

We therefore note that, while awaiting to eventually gain access to the above mentioned lending mechanism, the Company is renegotiating the terms and conditions of certain loans of the photovoltaic sector, following the impact of the "incentive spreading" decree.

We note, moreover, that in June 2015, following the claims made by the operators and the business associations of suspected violation of the principles of reasonableness, legitimate granting of lines and business autonomy, through its own order, the Lazio Tar raised the issue of the constitutionality of the decrees implementing the “incentive spreading” decree, based on which the incentive tariffs for the photovoltaic sector were reformulated.

Among the upcoming events, we note the signature of an agreement for the sale of a 51% share held in Società Agricola San Vito Biogas Srl, at the price of Euro 1.5 million.

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

Culti Milano Srl

Culti Milano was established at the end of 2014 by KME Partecipazioni and its fully-owned subsidiary Progetto Ryan 3 Srl in liquidation.

The company, which provides fragrances for the home and workplace, rented the business from its parent Progetto Ryan 3 (formerly Culti Srl) beginning 1 April 2015. This is a 10-year contract, which can be renewed for an additional 5 years and provides for the leasing of brands and non-current assets, as well as the taking over of orders underway at 31 March 2015. The annual consideration is Euro 410 thousand.

The new company hired the personnel, pursuant to art. 2112 of the Italian Civil Code and it purchased the inventory with payment based on the periodic withdrawals of inventory.

The first year of operations showed promising signs: the turnover from the period from 1 April 2015 to 31 December 2015 was equal to Euro 3.6 million with a profit of Euro 69 thousand, which was obtained thanks to a significant containment of operating costs.

The Company's management activity was very intense and aimed mainly at maintaining the high quality of the products and increasing turnover in a way that would not negatively affect profits, and careful management of overheads.

Among the initiatives undertaken we note the opening of a new retail point in Milan on via Fiori Chiari and currently an assessment is being made regarding the recovery of market shares that had been abandoned in the past (for example, in the USA).

I2 Capital Partners SGR SPA

I2 Capital Partners SGR SpA is active in collective asset management through the promotion, establishment, organisation and management of closed-ended mutual investment funds focused on private equity and particularly the Special Situations area.

To date the company manages a single fund, I2 Capital Partners (the "Fund"), which collected total subscriptions of Euro 200 million, equal to the amount that had been forecasted, solely from qualified investors, including Intek Group which currently holds a 19.15% share of the Fund.

The Fund's investment activity ended on 31 July 2012 and therefore further transactions are limited to add-ons on investments that had already been made or which had been resolved upon prior to the closing of the investment period.

During 2015, requests were made for payment of Euro 1.6 million, to be applied only to covering the Fund's overheads. As at 31 December 2015, the total amount called upon the launching of the Fund's operations was Euro 123.2 million, while the callable residual contributions totalled approximately Euro 11 million.

In 2015, there was a partial reimbursement for a total of Euro 3.5 million, following the collection of the dividends received from the investees Isno 4 Srl (Euro 3 million) and Benten Srl (Euro 510 thousand).

At 31 December 2015, the existing investments, measured at cost, amounted to Euro 19.3 million, and mainly referred to equity investments in unlisted financial instruments.

In March 2016, the Fund distributed further resources of Euro 12.6 million, referring to the investments in Isno 3, Benten and Safim Factor.

I2 Real Estate Srl

This company was established in 2004 and its purpose is the purchase, sale and management of real estate and the provision of property management services.

The activity of the company is instrumental to the operations of Intek Group and it is therefore posted at cost in the separate financial statements, adjusted as needed for impairment and added to the consolidation area.

In addition to the information provided in the section “Property/Other Assets” we note that the 2015 financial statements show a loss of Euro 0.9 million, which is mainly attributable to the impairment losses on financial fixed assets (Euro 0.6 million) and the owned property (Euro 0.3 million).

Regarding the activities planned for 2016, the Company will continue to seek improved solutions for the Ivrea property and the equity investment in Tecno Servizi Srl, and the Varedo property in particular. To date, there have been no significant negotiations for these assets.

Immobiliare Pictea Srl

During 2015, Intek Group purchased the shares of this company and became its sole shareholder and entity exercising management and coordination activities.

The 2015 financial statements, prepared in condensed form, show a loss for the year of Euro 18 million.

2015 was characterised mainly by a change in ownership. In fact, in July the shares of the company were purchased by Intek Group SpA and the registered office was transferred to Foro Buonaparte 44, located in an owned property, while a new Sole director and a new sole statutory auditor were appointed.

As at 31 December 2015, the residential portion of the building was completely freed. This made it possible to submit to the competent municipal authorities the plans for the restructuring and renovation of the fifth and sixth floors of the building.

A fifteen-year mortgage of Euro 7 million was concluded, the purpose of which was also to provide the Company with the financial resources required for these interventions. The mortgage, secured by the property, is payable at a variable rate of 1 month Euribor plus a spread of 2.80 points. A 0.99% hedging contract was concluded to hedge against the risk of interest rate fluctuations.

For improved returns on the cash collected and while awaiting its use, a reciprocal current account was opened with the parent with an annual rate of 4%. At 31 December 2015, the balance of this item was positive by Euro 5,636 thousand.

INTEK GROUP

2015

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP SPA

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 29 APRIL 2016

Contents

Tables:

Glossary

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

Civ. Code/c.c.: the Italian Civil Code.

Issuer/ Company/Intek Group: Intek Group SpA

Year: the year ended at 31 December 2015, to which this report refers.

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

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

Issuer regulation: the Regulation issued by Consob with its resolution no. 11971 of 1999 (as currently applicable) regarding issuers.

Market Regulation: the Regulation issued by Consob with its resolution no. 16191 of 2007 (as currently applicable) regarding markets.

Related Party Regulations: the Regulation issued by Consob with its resolution no. 17221 of 2010 (as currently applicable) regarding related parties.

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

Consolidated Finance Act/TUF: Italian Legislative Decree no. 58 dated 24 February 1998.

Foreword

The Board of Directors of Intek Group SpA, in its meeting held on 29 April 2016, also approved the Report, together with the draft financial statements for said financial year.

The Report provided below includes the amendments made to the Code in July 2015 and takes into account the subsequent regulatory changes.

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

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

- related party transactions:

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

- exercise of shareholder rights:

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

- functions of the Board of Statutory Auditors:

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

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

with regard to article 123-ter of the TUF and the implementing provisions approved by Consob with its resolution no. 18049 of 23 December 2011.

In regard to the latter, considering that the companies with shares listed on regulated markets are now required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by the Consob Issuer Regulation, and in order to avoid providing redundant information, the relevant information (see Sect. 9) will be provided by providing to the parties the Report on Remuneration pursuant to article 123-ter of the TUF as was done for the Report presented for 2013 and 2014.

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

To this end, it is specified that pursuant to the novated second paragraph of article 123-bis of the TUF, the requested information which is contained in this Report is disclosed to the public both by attaching this Report to the 2015 financial statements and through publication on the company's website www.itkgroup.it.

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

(i) compliance with each Code provision;

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

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

This Report aims to illustrate the corporate governance model that Intek adopted in 2015, the specificities of the company, which aims to obtain its essential alignment with the principles contained in the Code which the Company has declared it will comply with, as well as the relative recommendations made by the supervisory authorities, in relation to the small dimension and corporate structure of Intek Group.

Significant changes to the by-laws were adopted in 2012 as part of the merger of iNTEk SpA into KME Group SpA (which took on the company name of "Intek Group SpA").

In particular, we note the issuing of the ""Intek Group S.p.A. 2012-2017 bonds" (subsequently repaid in full and settled) and the issuing of a convertible bond loan named "Convertendo Intek Group S.p.A. 2012-2017" governed by article 4 "Capital" of the by-laws.

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

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

The Company has continually improved the quality and quantity of the information it has been providing on corporate governance every year ever since the presentation of the financial statements at 30 June 2000. The individual Reports are available on the website within the financial statements of the respective years.

The individual reports within the financial statements of the respective financial years are available on the website www.itkgroup.it, beginning from the financial year ended 31 December 2006.

The Reports, together with by-laws, are also available on www.itkgroup.it.

During 2011, the provisions of the "gender quotas" for the control and management bodies were introduced into the TUF. These provisions entered into effect on August 2011 but became operational with regard to the renewals of these bodies subsequent to August 2012.

The Company amended its by-laws by resolution of the extraordinary shareholders' meeting held on 11 June 2014, which adjusted article 17 to the discipline referring to the equilibrium between genders in the composition of the administration and control bodies as introduced by law 120 of 12 July 2011 and the relative implementing provisions.

To this end, we note that for Intek Group the first application took place with the shareholders' meeting of 19 June 2015 on the occasion of the appointment of the new Board of Directors and the Board of Statutory Auditors for the financial years 2015/2017.

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

Another significant change to the by-laws took place with the introduction, following the shareholders' meeting of 19 June 2015, of articles 11-bis, 11-ter and 11-quater which provide for the **establishment and exercise in the increase of the voting right for shareholders who possess the requirements set by the law that so request through registration in the appropriate special register.**

1. Issuer Profile

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

Following the merger of Intek SpA, during the last months of 2012, the company positions itself even more as a holding company of diversified investments, having the objective of managing portfolio shareholdings and assets, oriented from a dynamic entrepreneurial perspective focused on cash generation and on the growth in the value of investments over time, even through sales functional to the new development strategies.

It should be noted that, following the partial proportional reverse demerger (hereinafter the "Demerger") of Intek S.p.A. into KME Group S.p.A. (now "Intek Group"), which was carried out in 2010 and the merger of Drive Rent S.p.A. into COBRA Automotive Technologies S.p.A., effective from 1 July 2011, the Company had extended its business to industrial sectors other than the traditional one by purchasing significant equity investments in the following listed companies:

- ErgyCapital SpA (renewable energy) (now "**Ergycapital**");
- COBRA (services) (now "**Cobra**").

The equity investment in Cobra was then sold during 2014, achieving significantgains.

Both equity investments were concentrated in the fully-owned subsidiary KME Partecipazioni S.p.A. (hereinafter "**KME Partecipazioni**"). In order to simplify the chain of control, the Company resolved to merge KME Partecipazioni into Intek Group by incorporation. The merger is expected to be implemented by the end of the first half of the current year.

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

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

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

In its meeting of 19 June 2015, the Board of Directors which was held immediately after the shareholders' meeting that appointed the Board of Directors that will remain in office for 2015-2017, resolved to establish the Control and Risk Committee the members of which will be independent directors only.

Until June 2015, the company had also established the Remuneration Committee. The abovementioned Board of Directors resolved not to renew the term of this Committee.

For the reasons that led to this decision and for the remedies that are provided, please see chapter 8 of this Report and the Report on Remuneration pursuant to article 123-ter of the TUF and article 84 of the Issuer Regulation.

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

2. Information on Ownership Structure

2.1. Share capital and financial instrument structure

The share capital of Intek Group, at the date of approval of this Report, unchanged compared to 31 December 2015, was Euro 314,225,009.80, and consists of 395,616,488 shares, of which 345,506,670 were ordinary shares, equal to 87.33% of the share capital, and 50,109,818 were savings shares, equal to 12.67% of the share capital, all of which with nonominal amount.

On 2 December 2014, the company's Board of Directors had approved the launching of a voluntary total exchange tender offer (the "**Exchange Offer**"):

(i) On 22,655,247 *"Intek Group SpA 2012 – 2017"* outstanding bonds and

(ii) On 115,863,263 Intek Group 2012-2017 outstanding bonds (hereinafter the "**SFP**"**)**, issued by the company and listed on the MOT (Italian Electronic Bonds and Securities Market).

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

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

Therefore the exchange tender offer of the SFPs and the 2012 bonds was initiated against a new Intek Group 2015 – 2010 bond loan. The Intek Group made a single issue of bonds consisting of 4,708,507 bonds with a nominal unit amount of Euro 21.60 (the "**2015 Bonds"**), amounting to Euro 101,703,751.20, of which 1,486,807 (nominal Euro 32,115,031.20) for the participants in the exchange offer and 3,221,700 (nominal Euro 69,588,720) for the participants in the offer to subscribe.

We reiterate that:

- The 115,863,263 outstanding SFPs as at 31 December 2014 were issued for 2012, following a voluntary exchange tender offer on ordinary KME Group shares, pursuant to the combined provision of articles 2346, paragraph VI, and art. 2351, paragraph V of the Italian Civil Code. The 115,863,263 ordinary shares from the offer were cancelled together with the additional 7,602,700 ordinary shares already held by the company, totalling 123,465,963 ordinary shares and the 135,831 saving shares, also held by the company, without any reduction in the amount of the share capital.

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

- The 22,655,247 outstanding bonds as at 31 December 2014 named "Intek Group SpA 2012-2017 bonds", which are listed on the Italian Electronic Bonds And Securities Market (MOT) with a unit value of Euro 0.50 total amount of Euro 11,327,623.50 –had been issued by the merged company Intek as consideration for a voluntary public exchange tender offer on ordinary Intek shares, which took place prior to the merger.

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

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

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

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

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

In its meeting of 2 December 2014, the Company's Board of Directors also approved the concurrent promotion of a public subscription offer of a bond loan (the "**Offer to Subscribe"),** of a total amount equal to approximately Euro 40 million, which the Company is allowed to increase up to approximately Euro 101.7 million, depending on the level of participation in the Exchange Offer. The bonds bear interest at the fixed nominal annual rate of 5%.

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

Upon completion of the Offer to Subscribe and given the data of the Exchange Offer, the Intek Group made a single issue of bonds named " Intek Group SpA 2015-2020 bonds", which had the following characteristics:

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

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

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

* * * * * *

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

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

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

The rights of the Saving Shareholders are listed in articles 145 et seq. of the TUF and articles 5, 8 and 28 of the by-laws. Their Common Representative who is entitled to participate with the right to intervene in the ordinary Shareholders' Meeting whose rights are indicated under article 27 of the by-laws is Ms. Simonetta Pastorino, who was appointed for 2015/2017 by the special meeting of holders of savings shares which was held on 19 June 2015.

The savings shares confer the following privileges:

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

* * * * * *

The "Intek Group SpA 2010 – 2015" stock option plan approved by the shareholders' meeting on 2 December 2009 expired on 31 December 2015.

No option was exercised by the beneficiaries and therefore the share capital increase servicing this plan was not executed.

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

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

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

* * * * * *

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

Pursuant to the Regulation of the aforementioned convertible bond:

- the convertible bonds will be automatically converted (conversion into shares) on the expiry date (which corresponds to the sixty-eighth month from the issue date of the convertible bond, that is 24 September 2017) into 900,000 newly issued ordinary issuer shares with a nominal amount of Euro 1.00 each, with a conversion ratio of 225 conversion shares for each convertible bond, without prejudice to the repayment option as described below;

- in view of the convertible bond, the issuer has resolved to increase the share capital up to a maximum amount of Euro 32,004,000.00 (including the premium), through the issue of a maximum of 900,000 ordinary shares with a par value of Euro 1.00 each and a premium equal to Euro 34.56 per share;
- the issuer will be entitled to repay the convertible bonds on the expiry date in cash, informing the Bondholder within sixty working days prior to the maturity date (repayment option), upon obtaining from the Company's Shareholders' Meeting the authorisation pursuant to article 2364, paragraph 1, number 5 of the Italian Civil Code, approved also with the favourable vote of the majority of the issuer's shareholders present in the Meeting, other than the Shareholder or Shareholders that hold, including jointly, the majority equity investment, even if relative, provided it is more than 10%;
- in the event that it exercises the repayment option, on the expiry date the issuer will pay the Bondholder Euro 8,001.00 for each convertible bond (repayment price), for a total amount of Euro 32,004,000.00.

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

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

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

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

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

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

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

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

STRUCTURE OF SHARE CAPITAL			
	ISIN Code	No. of outstanding instruments	% of total share capital
Ordinary shares	IT0004552359	345,506,670	87.33%
Bearersavings shares	IT0004552367	50,109,818	12.67%
Registered savings shares	IT0004552375		
Total shares		395,616,488	100.00%

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

* * * * * *

TABLE 2 : PERFORMANCE OF SECURITIES IN 2015

PERFORMANCE OF SECURITIES				
	Maximum amount		***Minimum amount***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	April	0.3811	October	0.2656
Savings shares	April	0.6246	October	0.4333
Intek Group 2015-2020 bonds	March	104.88	December	100.55

Investor relations:
phone: 02 8062921
FAX: 02 8062940
Email: info@itk.it
Website: www.itkgroup.it

2.2. Restrictions on the transfer of securities

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

2.3. Significant equity investments

At 31 December 2015, and with no changes as at the date of this Report, Quattroduedue Holding B.V.'s investment in the Company amounted to 158,067,506 ordinary shares, which correspond to 45.749% of the share capital for this class: the 100%-owned subsidiary Quattroduedue S.p.A. holds 158,067,500 ordinary shares of this investment. The remaining 6 ordinary shares, which do not influence the percentage above, are directly owned by Quattroduedue Holding B.V..

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

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

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

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

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

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

At 31 December 2015, the Company held 7,719,940 ordinary treasury shares, or 2.23 % of the ordinary share capital and 11,801 saving shares equal to 0.0030% of that class of shares and 0.0236% of total share capital. The total treasury shares held by Intek Group at 31 December 2015 amount to 7,731,741 shares, representing 1.95% of the Company's share capital.

We remind you that the ordinary shareholders’ meeting held on 19 June 2015 had resolved to assign to all the shareholders, whether of ordinary or of saving shares, 2,512,024 savings shares received from KME Partecipazioni together with 978,543 Intek Group saving shares held by the company totalling 3,490,567 Intek Group savings shares or 6.966% of the share capital represented by this class of shares.

2.4. Securities with special control rights

No securities have been issued conferring special control rights.

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

There is no employee share-option scheme.

2.6. Restrictions on voting rights

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

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

Furthermore, article 27 of the By-laws provides that a resolution to extend the duration of the Company (currently 31 December 2050) gives no withdrawal right pursuant to article 2437 of the Italian Civil Code.

2.7. Shareholders' agreements

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

2.8. "Change of control" clauses and provisions of the By-laws regarding takeover bids

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

The Company did not adopt any provisions in its Articles of Association that depart from the provisions of the passivity rule pursuant to article 104, paragraph I and II of the TUF, nor provide for application of the neutralisation rules pursuant to the following article 104-bis, paragraph 2 and 3 of the TUF in regard to takeover bids or exchanges.

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

The Board of Directors was not assigned any powers pursuant to article 2443 of the Italian Civil Code.

It should be noted that, on 31 December 2015, the power attributed to the directors by the extraordinary Shareholders' Meeting held on 2 December 2009 to increase the share capital within five years of this meeting by a maximum amount of Euro 15 million for the issuing of a maximum number of 31,000,000 ordinary shares, with exclusion of the purchase option pursuant to article 2441, paragraph 4, second point of the Italian Civil Code, expired. The shares serviced the stock option plan which was approved by the same ordinary Shareholders' Meeting held on 2 December 2009, for the executive directors and managers of the Company and the Group; this power was partially used as described in paragraph 2.1 above.

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

As indicated above, the Shareholders' Meeting held on 19 June 2015 attributed to the Board of Directors an authorisation pursuant to the combined provision of articles 2357 and 2357 ter of the Civil Code, and also of article 132 of Legislative Decree 58/98 to purchase, for a period of 18 months from the date of the resolution, and dispose of, without time limits, ordinary shares and saving shares pursuant to the law and the regulation.

As part of the right of withdrawal accorded to the iNTEk shareholders in regard to the merger, ordinary and saving shares of the merged company iNTEk were purchased by the Company.

On 31 December 2014, these holdings were 5,095,746 ordinary shares (equal to 1.475% of the total category and 1.288 % of the entire share capital) and 3,490,567 saving shares (equal to 6.966% of the total category and 0.882% of the overall share capital), including the 2,512,024 shares of the same category held by the subsidiary KME Partecipazioni S.p.A..

In March 2015, Intek Group initiated a program for the purchase of its ordinary treasury shares against a maximum amount of Euro 1.5 million, for the purposes and within the limits set by the authorization granted by the ordinary shareholders' meeting held on 11 June 2014.

In March-April 2015, 764,000 ordinary Intek Group shares were purchased at 0.22% of the capital represented by this class of shares and 0.19% of the total share capital.

On 1 of July 2015 the company carried out a reserve distribution, by assigning to all shareholders, whether of ordinary or saving shares, 3,478,766 own saving shares, including 2,512,024 saving shares assigned by KME Partecipazioni to the parent in May 2015.

In September 2015 Intek Group initiated a program for the purchase of its ordinary treasury shares against a maximum amount of Euro 1 million, for the purposes and within the limits set by the authorization granted by the ordinary shareholders' meeting held on 19 June 2015. In September-December 2015, 1,860,194 ordinary Intek Group shares were purchased at 0.538% of the capital represented by this class of shares and 0.47% of the total share capital.

As at the date of this Report the Company holds 7,719,940 ordinary shares or 2.23% of the voting capital and 1.95% of that total capital and 11,801 saving shares or 0.0236% of the share capital represented by this class of shares.

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

2.10. Management and coordination

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

a) it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
b) it does not participate in any centralised treasury arrangements operated by Quattroduedue Holding B.V. or other companies controlling Quattroduedue Holding B.V. or Intek Group S.p.A.;
c) the number of independent Directors (currently 3 out of 9) is such as to ensure that their opinions have a material influence on Board decisions;
d) the Control and Risks Committee consists exclusively of Independent Directors pursuant to article 37, paragraph 1 bis of the Market Regulation.

2.11. Shareholders’ agreements of investees

ErgyCapital SpA

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

This agreement contained provisions regarding the consultation obligation, the voting syndication, limitations regarding the transfer of financial instruments, thereby providing the joint exercise of the dominant influence, pursuant to article 122, paragraph 1 and paragraph 5 a), b) and d), of the TUF the object of which was a total of 39,328,835 ordinary shares of ErgyCapital SpA, equal to 23.55% of the share capital, of which 25,412,895 shares or 15.22% of the share capital, held through KME Partecipazioni and 13,915,940 shares equal to a 8.33% of the share capital held by Aledia.

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

The agreement definitively expired on 21 January 2015.

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

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

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

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

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

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

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

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

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

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

Neither the company nor its strategically relevant subsidiaries are subject to provisions of other than Italian laws which affect the structure of Intek Group’s corporate governance.

4. Board of Directors

4.1. Appointment and replacement of Directors

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

It is hereby noted that the extraordinary shareholders' meeting held on 11 June 2014, which resulted in amendments to the articles of association, adjusted articles 17 and 22 to the discipline referring to the equilibrium between genders in the composition of the administration and control bodies as introduced by law 120 of 12 July 2011 and the relative implementing provisions.

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

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

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

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

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders' Meeting and they shall be made available at least 21 days beforehand at the registered offices, on the Company's website and through Borsa Italiana S.p.A.;
- the shareholding for presentation of the list is equal to the higher of the percentage identified by Consob pursuant to article 144 quater of the Issuer Regulation and the one defined by Consob itself pursuant to resolution no. 19499 of 28 January 2016. To this end, based on the abovementioned Consob regulations, the percentage that is applicable is 4.5% of the ordinary share capital.
- when counting votes, the lists which have not obtained a percentage of votes equal at least to one half of the percentage required to submit a list, shall be ignored;
- one Director shall be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list shall indicate the candidates to the office as "Independent Directors" and article 17 of the by-laws provides that they are at least equal to the "minimum number and meet the conditions required by law";
- the prerequisite for Directors to be considered independent shall be assessed pursuant to article 147-ter, paragraph 4 of the TUF as well as article 148 paragraph 3 of the TUF, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Code of Conduct.
- the selection of the directors to be elected be based on criteria that ensure equilibrium between the genders. The least represented gender must constitute at least one fifth of the directors elected on the occasion of the first mandate subsequent to 12 August 2012 and, one third subsequently, in any case rounded upwards.

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

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

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

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

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

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

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

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

4.2. Composition of the Board of Directors

The current Board of Directors was appointed by the Shareholders' Meeting on 19 June 2015 which decided on nine (9) members of the administrative body (the by-lawsprovide for a variable number of directors, the minimum being 7 and the maximum 11).

The term of office is 3 years and therefore up to the date of the Shareholders' Meeting to be called to approve the financial statements at 31 December 2017.

The list of candidates for the office of Director was presented on time by the controlling Shareholder, Quattroduedue SpA (holding 45.75% of ordinary capital) in compliance with the procedure required by article 17 of the Company by-laws. The majority of Shareholders approved Quattroduedue's nominees with 161,745,061 votes, equal to 99.376% of the shares in attendance and 46.814% of voting shares.

No director was appointed from a non-controlling Shareholder list.

As at the date of this report, following the resignation of Salvatore Bragantini which took place on 18 April 2016, there are eight directors in office with indication of the duties, their respective duties within the committee that has been established, together with a brief curriculum vitae.

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

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

When the Directors and Statutory Auditors currently in office were appointed, the provisional regulation on "gender quotas" was in place for administration and control bodies. These provisions are contained in Law no. 120 of 12 July 2011 and shall apply as from the next change of the administration and control bodies starting from August 2012. The subject is also dealt with by article 144-*undecies* of the Issuer Regulations. The provisional regulation sets forth that the least represented gender must constitute at least one fifth of the directors elected on the occasion of the first mandate subsequent to 12 August 2012 and, one third subsequently, in any case rounded upwards.

Moreover, among the directors, there are two women (a number which is higher than the required percentage of 1/5). We note the presence of a female representative on a continuing basis since 2005 who assumed the office of vice chairwoman during 2010. This representation is furthermore ensured on the Board of Statutory Auditors by a standing auditor and an alternate auditor appointed at the time that the offices were renewed in 2015.

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

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

Following is the information relative to all the Directors that were in office during 2015.

Vincenzo Manes (Chairman)

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

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

In its meeting of 19 June 2015, the company's Board of Directors confirmed his appointment as Chairman, granted for the first time in 2012. From 2010 to 2012, he was Deputy Chairman with executive powers. He joined the Board of Directors of Intek Group on 14 February 2005 and was the Chairman and Managing Director of iNTEk until the effective date of the Merger.

He is the Chairman of the KME AG Vorstand, and previously was part of the company's SupervisoryBoard.

During 2015, Vincenzo Manes was appointed chairman and director of the Control and Risk Committee of Tods Group SpA and a member of the Board of Directors of CIA SpA (Compagnia immobiliare Azionaria),

Diva Moriani (Deputy Chairwoman)

Ms. Diva Moriani who was born in 1968 and holds a degree in Economics and Business,joined iNTEk in 1999 and was appointed as director of the company in 2002. She became Deputy Chairwoman in 2007 until the date of the merger. She is a director of ErgyCapital SpA. In addition, until 2014, she was a director of I2 Capital Partners SGR SpA, a company of which she was the CEO until 1 December 2012, and she is also a director of Cobra Automotive Technology SpA.

In its meeting of 19 June 2015, the company's Board of Directors confirmed her appointment as the Deputy Chairwoman, granted for the first time in 2010, attributing executive powers to her. She joined the Board of Directors of Intek Group on 27 April 2005.

She is a member of the KME AG Vorstand and a member of the Supervisory Board of KME Germany Bet GMBH. She is also the Chairwoman of KME Srl and a member of the Boards of Directors of Dynamo Academy Srl, Associazione Dynamo and Fondazione Dynamo.

In 2014, Diva Moriani was appointed as director and member of the Remuneration and Appointment Committees of ENI SpA and Director and Chairwoman of the Remuneration and Appointment Committees and a member of the Internal Control Committee of Moncler SpA.

Salvatore Bragantini

Salvatore Bragantini was born in Imola in 1943 and studied Business and Economics at the State University of Rome, graduating with a grade of 110 with honours in July 1967.

He was a Consob commissioner from 1996 to 2001, the Managing Director of Centrobanca and ARCA Impresa Gestioni SpA, the Chairman of Pro MAC SpA and also covered other positions in banks and industrial companies.

Within Intek Group he was the Chairman of I2 Capital Partners SGR SpA from 2005 to 2013 and the director of Intek Group from 11 June 2014 to 18 April 2016.

He currently serves in various companies, including as a director in Sea SpA, PerMicro SpA and Extrabanca SpA.

He was a leading writer of La Repubblica from 1984 to 1994 and Corriere della Sera from 1994 to date.

Mario d'Urso (independent – in office until 5 June 2015)

Mario d'Urso was born in Naples in 1940 and passed away on 5 June 2015. He held a degree in Law and covered positions in the finance sector and in the Government; indeed he was a Senator of the Republic and an under-secretary in one of the past governments.

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

Marcello Gallo

Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economy. He was the Deputy Chairman of iNTEk from 2007 to the date of Merger (after being the General Manager of said company from 1998 to 2003); he is a Board member of Subsidiaries and, in particular, he is the Managing Director of I2 Capital Partners SGR S.p.A and Chairman of Nuovi Investimenti Sim SpA and Alpi Fondi SGR SpA (subsidiaries of the Fund managed by I2 Capital Partners) as well as Chairman of FEB Ernesto Breda SpA.

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

He is a member of the Supervisory Board of KME AG and KME Germany Bet. GMBH and he is a director of Dynamo Academy Srl, Associazione Dynamo amd Fondazione Dynamo.

Giuseppe Lignana (independent)

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

He joined the Board of Directors on 12 January 2005.

James Macdonald

James Macdonald was born in London, in 1951. He is a graduate of Eton College-Cambridge University and was a member of the INTEK Board of Directors from 1996 to 2012.

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

He joined the Board of Directors of Intek Group on 30 April 2013.

Alberto Pirelli (left office on 19 June 2015)

Alberto Pirelli was born in 1954 and obtained a degree in Ichthyology and Aquaculture in the United States. He held operating positions in the Pirelli Group and is currently a Director of Pirelli & C. S.p.A., Deputy Chaitman of Pirelli Tyre S.p.A. and a Director of Nuove Partecipazioni SpA, Marco Polo Industrial Holding SpA, Marco Polo International Holding Italy SpA and Marco Polo International Italy SpA.

He joined the Board of Directors on 27 October 2000 and remained in office until 19 June 2015.

Alessandra Pizzuti (in office from 19 June 2015)

Alessandra Pizzuti was born in Rome in 1962 and received her degree in law from the University of Florence with a grade of 110 with honours.

She has been a director of Intek Group from 19 June 2015 and is a member of the supervisory boards of KME Ag and KME Germany Bet GmbH.

Luca Ricciardi

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

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

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

He has been an independent director of Intek Group SpA since 30 April 2013 and a member of the Control and Risk Committee.

Franco Spalla

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

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

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

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

* * * * * *

A table showing positions as director or statutory auditor held by each of them at 31 December 2015 in other companies limited by shares, limited partnerships and private limited companies is set out below.

Name	Company	Position
Vincenzo Manes		
	Intek Group SpA (2)	Chairman of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR SpA (1)	Chairman of the Board of Directors
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Foundation "Seriuosfun Children's Network"	Member of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME A.G. (1)	Chairman of the Management Committee (*Vorstand*)
	Fondazione Italia per il dono	Member of the Board of Directors
	Tod's Group (2)	Member of the Board of Directors
	Compagnia Immobiliare Azionaria (CIA) SpA (2)	Member of the Board of Directors

Diva Moriani		
	Intek Group SpA (2)	Deputy Chairman of the Board of Directors
	ErgyCapital S.p.A. (2)	Member of the Board of Directors
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Dynamo Accademy S.r.l.	Member of the Board of Directors
	KME A.G. (1)	CEO in the Management Committee (*Vorstand*)
	KME Srl	Chairman of the Board of Directors
	Moncler SpA (2)	Member of the Board of Directors - Chairman of the Remuneration and Appointments committee and member of the Internal Control Committee
	ENI SpA (2)	Member of the Board of Directors – member of the Remuneration and Appointments Committees

Salvatore Bragantini ***(***)***		
	Intek Group SpA (2)	Member of the Board of Directors
	SEA - Società Esercizi Aeroportuali SpA	Member of the Board of Directors
	PerMicro SpA	Member of the Board of Directors
	Extrabanca SpA	Member of the Board of Directors

Mario d'Urso ***(**)***		
	Intek Group SpA (2)	Member of the Board of Directors

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

Giuseppe Lignana		
	Intek Group SpA (2)	Member of the Board of Directors and Chairman of the Control and Risk Committee

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

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

	Marco Polo Industrial Holding SpA	Member of the Board of Directors
	Marco Polo International Holding Italy SpA	Member of the Board of Directors
	Marco Polo International Italy SpA	Member of the Board of Directors

Alessandra Pizzuti		
	Intek Group SpA (2)	Member of the Board of Directors
	KME A.G. (1)	Member of the Supervisory Board
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board

Luca Ricciardi		
	Intek Group SpA (2)	Chairman of the Board of Directors and of the Control and Risk Committee

Franco Spalla		
	BasicNet SpA (2)	CEO
	AnziBesson Trademark Srl	CEO
	Fashion SpA	CEO
	Jesus Jeans Srl	CEO
	Basic Italia SpA	Member of the Board of Directors
	BasicNet Asia Ltd	Chairman of the Board of Directors
	Basic Properties BV	Chairman of the Board of Directors
	Basic Properties America Inc.	Member of the Board of Directors
	Basic Trademark SA	Member of the Board of Directors and Director
	Superga Trademark SA	Member of the Board of Directors and Director
	Intek Group SpA (2)	Chairman of the Board of Directors and of the Control and Risk Committee

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

(2) company listed in a regulated market;

(*) in office until 19 June 2015;

(**) deceased on 5 June 2015;

(***) in office until 18 April 2016.

* * * * * *

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

Furthermore, during 2015 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Legislative Decree no. 469 of 11 November 1998).

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

Maximum number of offices covered in other companies

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

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

Induction Programme

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

4.3. Role of the Board of Directors

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

The Board of Directors is also vested with the powers set forth under art. 2365, par. II of the Italian Civil Code, as provided by article 14 of theby-laws, in relation to the resolutions concerning mergers and demergers.

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

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

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

The Board of Directors financial reporting responsibilities are to present:

- the separate and consolidated financial statements at 31 December;
- the interim financial statements at 30 June;
- quarterly reports at 31 March and 30 September.[1]

During 2015, the Board of Directors met 9 times.

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

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

[1] *It is hereby noted that in implementation of the new EU Transparency Directive, Legislative Decree no. 25/2016 eliminated the obligation of publishing the interim directors' report as from 2016.*

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

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

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

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

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

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

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

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

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

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

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

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

In order to review the organisational model pursuant to Legislative Decree 231/2001, and also upon the recommendation of the Control and Risks Committee and the support of adequate external professionals, the Board carried out during 2014 a risk assessment review with regard to the assets of the company and those of its subsidiaries, in regard to the changed framework of the business segments also following the implementation of the merge.

This process did not indicate any critical areas and the monitoring continued in 2015 and in the year underway.

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

On the occasion of its meeting of 29 April 2016, the Board of Directors examined the positive opinion expressed by the aforementioned committee, which was positive.

With regard to **Application Criterion 1.C.1 g)** of the Code we specify that in the meeting of 27 April 2015, the Board evaluated positively the size, composition and operation of the Board itself and of its committees. This determination took under consideration the number of members of the board and the executive directors, including with reference to the independent directors, for whom fulfilment of the independence requirement was rechecked, taking also into account their highly professional profile.

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

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

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

4.4 Delegation of powers

The Board of Directors has appointed a Chairman (Vincenzo Manes) and a Deputy Chairwoman (Diva Moriani), currently in office.

In consideration also of the presence of a majority shareholder, as already mentioned in another section of this Report, no "Succession Plan" is provided for the executive directors and the Board of Directors has not currently assessed the adoption of such a plan (article 5.C.1 of the Code).

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

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

It should be noted that Mr. Manes was appointed as Chairman of the Board of Directors by the Shareholders' Meeting of 19 June 2015 and that the Board of Directors subsequently confirmed the following powers and capacities:

- coordination and guidance of the activities of other executive directors;
- guidance, coordination and control of external communications including communications with Shareholders;

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

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

On 19 June 2015 the Board of Directors assigned to the Deputy Chairwoman Diva Moriani the powers for the management of the Company's administrative, financial, control, legal, tax, insurance and information technology affairs in addition to industrial and commercial matters and services and also human resources and internal communication; the Deputy Chairwoman has the powers to guide and coordinate all such activities for Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors and by the Chairman Vincenzo Manes.

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

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

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

4.5. Other executive directors – Managers with delegations

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

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

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

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

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

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

- **ErgyCapital:** in May 2014, as part of the restructuring plan, the Chairman and CEO Vincenzo Cannatelli renounced to the operating powers conferred upon him as a CEO, keeping only the office of Chairman of the Board of Directors. The Board therefore appointed Mr. Mirko Duranti as General Manager, attributing to him the same powers for management of the company. In addition to the Chairman Vincenzo Cannatelli, the following persons are also members of the Board of Directors: Diva Moriani, Giancarlo Losi, Nicolò Dubini and Fabio

Tomassini, the last two as Independent Directors. **The current** Board of Directors will remain in office until the date of the shareholders' meeting called for the approval of the financial statements at 31 December 2015.

* * * * * *

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

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

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

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

4.6. Independent Directors

The current Interk Group Board of Directors is made up of 3 (three) independent directors.

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

It is hereby noted that the assessment is made on the date of the respective appointments made by the Shareholders' Meetings and therefore repeated as part of the procedures for approval of the financial statements at 31 December 2015.

With regard to the criterion set forth under article 3.C.1. e) of the Code, we hereby note that for director Giuseppe Lignana, who has been in office for a period in excess of nine years, the Board of Directors determined that he does possess the independence requirement due to his full autonomy insofar as the valuation and opinion, given also the high level of his professional credentials and independence.

4.7. Lead Independent Director

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

As for Intek Group, pursuant to the agreements within the shareholders of Quattroduedue Holding B.V., which were mentioned previously, Vincenzo Manes is not a controlling shareholder of this company or, therefore, of Intek Group S.p.A..

Furthermore, the following elements were appropriately assessed:

- the distribution of the corporate offices between a chairman and an executive deputy chairman;
- the composition of the Control and Risk Committee, which is composed exclusively of Independent Directors who can be convened and meet independently including outside the meetings of the Board of Directors.

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

5. Processing of company information

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

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

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

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

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

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

6. Committees within the Board of Directors

For the reasons set forth above and reiterated again in this report, the Company has not established committees with several functions. It is hereby noted that the independent directors, of whom there are 3 (out of 9 members of the Board of Directors), meet at least once per year although a specific committee has not been established formally and they also meet to discuss transactions of particular significance whenever necessary.

The Control and Risk Committee is appointed by the Board of Directors and is composed of the directors Giuseppe Lignana (Chairman), Franco Spalla and Luca Ricciardi.

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

The Control and Risk Committee is in charge of assisting, with appropriate investigations, in the assessment and decisions of the Board of Directors with regard to the internal control and risk management system, and also approval of the periodic financial reports.

In addition, it carries out supporting activities relating to compliance of the procedures regarding transactions with related parties with the related legislative and regulatory measures that are applicable to them, and that they are fully observed in practice.

Further information regarding the Committee’s activities is contained in the section 10.
Beginning from 19 June 2015, the Company has decided not to establish the Remuneration Committee, putting in place appropriate procedures for determination of the remuneration of the executive directors, as is better specified in paragraph 8 below and in the Report on Remuneration, to which reference should be made.

7. Appointments Committee

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

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

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

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

8. Remuneration Committee

The mandate of the previous committee and office expired with the shareholders' meeting that approved the financial statements at 31 December 2014.

The company's Board of Directors, appointed by the shareholders' meeting held on 19 June 2015, which was called upon to make a resolution regarding the appointment of the Remuneration Committee, pursuant to article 6 of the Corporate Governance Code of the Italian Stock Exchange, decided not to re-establish a remuneration committee.

The Board decided that the recent redefinition by the company of its strategic mission, its approach to the market and the new governance structure made management of the remuneration policy simpler than it had been in the past, since it will refer only to executive directors of the company, while the remuneration of the directors and managers of subsidiaries/investees, which are considered to be investments, will be handled exclusively by the administrative bodies of the individual subsidiaries/investees.

The incentive criteria for executive directors will be more and more connected to reaching specific asset valuation objectives and investment results (dividends and capital gains) – and, therefore will be based on creating "value" for the company, rather than on performance and/or profitability of the individual subsidiaries, as it had been in the past.

In this new framework, a remuneration committee would have an extremely limited operating area, so that it would no longer be functional.

In fact, it is believed that in its entirety, the Board of Directors is an entity that can adequately and efficiently define the incentive criteria (which are connected to the valuation of the assets, as indicated above), based on which to determine the variable component of the remuneration of executive directors and key management personnel and for monitoring that the fixed objectives were indeed reached.

The duties established by the Code of Conduct insofar as the Remuneration Committee is concerned (see article 6.C.5) can very well be carried out by the Board of Directors, in the case of Intek Group.

In order to allow the administrative body to make an assessment that is as informed and careful as possible, the Board of Directors can, as necessary, request the expertise of at least two independent directors to be contacted from time to time, for more in depth information regarding the fixed and variable remuneration to be paid to the Executive Directors.

The experience and independence of such directors will ensure that the Board receives appropriate support, thereby rendering the appointment of a remuneration committee redundant.

9. Remuneration of the Directors

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

10. Control and Risk Committee

The Control and Risk Committee is composed of Directors Giuseppe Lignana (Chairman), Franco Spalla and Luca Ricciardi.

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

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

- supports the Board of Directors in the performance of its duties with respect to internal control and risk management;
- assesses, together with the Manager in charge of financial reporting and the Independent Auditors, the correct application of accounting policies and their consistency also for the purposes of preparing the consolidated financial statements;
- it expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;
- it examines the internal audit plan and the periodic reports prepared by the internal audit function;
- it monitors the autonomy, adequacy, efficiency and efficacy of the internal audit function;
- it may request the internal audit function to carry out periodic verifications on specific operating areas, concurrently informing the Chairman of the Board of Statutory Auditors;
- it reports to the Board, at least every six months, when the annual and interimfinancial report are prepared, on the activities carried out and the adequacy of the internal control and risk management system;
- through appropriate investigation activities, it supports the assessment and decisions of the Board of Directors regarding the risk management in the event of adverse events which the Board of Directors becomes aware of.

The Committee has access to the corporate information required for its work.

The Chairman Vincenzo Manes, also in his capacity as the Manager in charge, and the Board of Statutory Auditors are invited to its meetings.

The Committee met six times in 2015, compared to four in the previous year, and the participation of its members amounted to 100 %.

At least one member of the Board of Statutory Auditors has participated in the meetings, at which minutes were taken.

It met just once in 2016; its upcoming meetings are not scheduled.

Specific financial resources were not made available to the committee to allow it to carry out its duties, and the Committee is entitled to use the structures of the Company or request the support of external consultants that it considers appropriate, to be paid for by the Company, as necessary.

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

11. Control and Risk Management System

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

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

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

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

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

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

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

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

- *control environment:* the basis of the system characterised by the responsive attitude of the Company's management to procedures and structure (formalisation of roles, tasks, responsibilities, internal communication systems and the timeliness of information) consistent with corporate strategies and objectives;
- *risk assessment:* management's identification and analysis of risks involved in the achievement of predefined objectives as well as the determination of risk management methods;
- *control activities:* the methods, procedures and practices used to define and implement the controls for the purposes of mitigating risks and ensuring the achievement of targets set by management;

- *information and communication:* support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- *monitoring:* the activity performed by various parties in the company for the ongoing control of the proper functioning of the System in order to overcome critical contingencies and to provide for the maintenance, updating and improvement of the System.

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

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

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

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

- implements and continually updates the administrative and accounting procedures (accounting policies, rules regarding the presentation of consolidated financial statements and interim reports, etc.) by which the Parent ensures that information is efficiently exchanged with subsidiaries under its direct coordination. Subsidiaries, moreover, prepare detailed operational instructions with respect to the Parent's guidelines;
- assesses, monitors and continually revises the control system over financial reporting taking a top-down risk-based approach consistent with the COSO Framework that focuses attention on the main and/or key risks, or thereto on risks of unintentional or fraudulent errors in the financial statements and relevant notes and reports;
- classifies controls used in the Group under two main categories in accordance with best international practice:
  - *entity level control*, at group or individual subsidiary level (assignment of responsibilities, powers and mandates, separation of duties and assignment of privileges and rights to access IT applications);
  - *process level control*, (authorisations, reconciliations, verifications of consistency, etc.) with respect to operational processes, closing of the books and so-called “cross-segment” controls relating to the Group’s IT services.
    The controls can be either preventive or detective in nature, depending on whether they are intended to prevent or detect unintentional or fraudulent irregularities in the financial statements; and either manual or automatic such as the validations run by software supporting the business systems;
- verification of the efficacy of the design and the actual effectiveness of the controls through testing, on a sampling basis pursuant to international best practices, by the manager in charge of financial reporting assisted by a major audit company and internal staff;
- identifies any backup controls, remedies or improvement plans in the activities of controlassessment.

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

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

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

The risk assessment carried out focused on the objectives (and risks) belonging to the operations and compliance areas, excluding from the latter area the particular portions which are already covered by specific assessment processes and the risk management area in general (e.g. no. 231/2001; no. 81/08, etc.). Similarly, as indicated above, the administrative – accounting area was excluded from the internal audit process as it is already covered in terms of risk assessment and internal controls through the specific program required by law 262/2005 supporting the manager in charge of financial reporting.

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

b) Roles and company units

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

11.1. Director in charge of the internal control and risk management system

The Chairman, Vincenzo Manes, is responsible for overseeing the internal control system (the "Director in charge").

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

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

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

As part of the mandate conferred upon him, the manager in charge of financial reporting is entitled to request the internal audit department manager to carry out verifications on specific operating areas, and on the compliance with the rules and internal procedures regarding the execution of corporate operations, concurrently reporting to the chairman of the Control and Risks Committee and the chairman of the Board of Statutory Auditors.

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

11.2. Head of Internal Control

Internal audit activities are managed by the Head of Internal Control.

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

His tasks are those pertaining to the internal audit, thereby complying with the provisions of the new Code of Conduct.

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

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

Due to the changed size and structure of Intek Group, following the implementation of the merger and the emphasis on the holding of the equity investments, the internal control function underwent reorganization which was concluded with Board of Directors’ conferral, on 28 April 2014, of the position of internal auditor to Giovanni Santoro of Crowe Horwath AS S.r.l. This took place pursuant to the favourable opinion of the Control and Risks Committee and after securing the opinion of the Board of Statutory Auditors.

11.3. Organisational model pursuant to Legislative Decree 231/2001

The Company has adopted an “Organization and management model pursuant to Legislative Decree 231/01,” which is updated based on the amendments that are introduced into the reference law, taking into account the prevention of crime risks in the sensitive areas of the company’s operation (referring in particular to corporate crimes and market abuse).

A version of the Model, newer than the one previously adopted by the company, was approved by the Board of Directors in its meeting of 28 April 2014, following the merger of Intek into Intek Group.

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

During this activity, the company has constantly updated the procedures referring to internal dealing, insider information and the transactions with related parties, compiled by the administrative offices together with the Internal Control Department and verified, with the opinion in favour of the Supervisory Body and the Controls and Risks Committee together with the Board of Statutory Auditors.

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

11.4. Independent Auditors

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

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

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

The total fees paid by the Company amount to Euro 142 thousand. The total fees paid at Group level were Euro 1,218 thousand. Please refer to the notes to the separate financial statements for further information.

During the year the audit company and companies belonging to the same network were assigned further mandates amounting to Euro 88 thousand.

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

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

It is hereby noted that the shareholders' meeting that will approve the financial statements at 31 December 2015 will also be called upon to approve conferral of the duties to the new auditor for 2016-2024.

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

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

In its meeting of 19 June 2015, the Board of Directors renewed the term of office of Giuseppe Mazza.

The term of office is the same as that ofthe Board of Directors, in other words until the date of the Shareholders' Meeting convened to approve the financial statements as at and for the year ending 31 December 2017.

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

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

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

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

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

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

12. Interests of Directors and Transactions with Related Parties

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

The procedure relating to transactions with related parties (hereinafter the "**Procedure**"), adopted in March 2003 and reformed for the first time in November of that year and thereafter in 2005, 2006, 2011, on 27 March 2013, 13 November 2013 and finally on 5 August 2015.

The Board of Directors' decision not to re-establish the Remuneration Committee on 19 June 2015, resulted on the one hand of application of the "ordinary" procedure insofar as transactions with related parties, with the exemption provided by such procedure (in compliance with the Consob Regulation covering transactions with related parties); on the other hand, this resulted in the need to modify the procedure itself so that it would be in line with the new decisions regarding remuneration.

This procedure takes Consob recommendations into account, substantiates the statutory regulation and is compliant with the relevant regulation adopted by Consob with its resolution no. 17221 of 12 March 2010 (hereinafter the "**Related Parties Regulation**") which requires, in particular, that transactions with related parties, whether carried out directly or through subsidiaries, must take place in compliance with the principles of:

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

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

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

The related parties are those which are indicated by CONSOB. In its meeting of 5 August 2015, the Board of Directors resolved to no longer consider as related parties the executive directors of the sub-holding KME A.G. as it is considered as an investment. Following the sale of the equity investment in Cobra AT and I2 Capital Partners SGR, KME Partecipazioni is no longer considered to be strategic, since, following conclusion of the investment period, the subsidiary is no longer able to influence the Company's strategic policy.

The Directors and the Statutory Auditors of the Company and its subsidiaries, as identified above, where they have an interest, either on their own behalf or on that of third parties, shall inform the Board of Directors, in the person of its Chairman, detailing its nature, timeframe, origin and extent.

Those Directors who have such an interest are also obliged to abstain from voting on the issue and they shall not participate in the related procedure, except in the case where a different and unanimous resolution is passed by the Board of Directors on the issue.

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

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

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

This includes:

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

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

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

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

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

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

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

As already indicated in paragraph 8, Remuneration Committee, we hereby reiterate that in its entirety, the Board of Directors is considered to be the most appropriate body for identification and setting of the incentive criteria (which are connected to the valuation of the assets as indicated above), based on which to determine the variable component of the remuneration for the executive directors and the key management personnel and also in the specific case of Intek Group, it was decided that the latter is able to carry out the duties required of a remuneration committee pursuant to article 6.C.5 of the Code.

We furthermore note how, in order to allow the Board to make the most substantiated assessments, it is able to enlist the expertise of at least two independent directors to whom it can refer for additional information regarding fixed and variable remuneration to be paid to Executive Directors.

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

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

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

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

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

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

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

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

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

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

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

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

The Internal Regulations are not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
2. other transactions lower than Euro 100,000 with natural persons and no higher than Euro 500,000 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;

3. the so called “Remuneration plans”, based on financial instruments, approved by the Shareholders’ Meeting, pursuant to article 114-bis, of TUF and the related implementing transactions;
4. resolutions regarding the remuneration of Directors invested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this issue as set out in article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;
5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;
6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within such subsidiaries or associates there are no interests, qualified as significant pursuant to the Internal Regulations, of other related parties of the Company.

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

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

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

1. the mere sharing of one or more directors, or key management personnel, between the Company and its subsidiaries and associates;
2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the remuneration of key management personnel that is no greater than Euro 200,000.00, calculated cumulatively on a yearly basis, between subsidiaries and associates, on the one hand, and other related parties of the Company, on the other hand and that, in any case, impact, or are impacted by, the transaction in question;
3. the existence of Incentive plans based on financial instruments or, in any case, on variable renumeration, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are directors or key management personnel, also of the Company, and when the transaction in question is less than 5% of the profit achieved by the subsidiaries and associates, on which the incentives are calculated;
4. when the party that controls the Company hold investments in the subsidiary or associate, if the effective weight of that equity investment is not higher than the effective weight of the equity investment owned by the same party in the Company.

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

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

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

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

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

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

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

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

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

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

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

13. Appointment of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company by-laws with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company and its actual operation.

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

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders' Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana S.p.A.. The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative controlling interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.

- if during this time period only one list is presented or lists which are connected among themselves are presented pursuant to applicable laws, lists can be submitted up to the third day subsequent to the expiration day of the submission at the registered offices. In this case, the threshold is reduced to one half;
- the presence in the list of one alternate auditor designated by non-controllingShareholders as a substitute, if required, for the auditor also selected from a non-controlling Shareholder list, should the latter no longer be in office;
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholders with the largest percentage of interest or, subordinately, the highest number of Shareholders, shall be deemed elected;
- shareholders who, alone or together with others, hold an equity investment, in ordinary shares, equal to the highest percentage identified in article 147-ter par. 1 of the TUF, in respect of the provisions, can submit lists. Based on Art. 144 quarter par. 2 of the TUF, the applicable percentage is 4.5% of the ordinary share capital pursuant to the provisions set forth by Consob with its resolution no. 19499 of 28 January 2016;
- lists with a total number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that the least represented gender on the list totals at least one fifth at the time of the mandate subsequent to 12 August 2012 and thereafter one third (rounded up). This applies to standing as well as alternate auditors;
- In the event of the replacement of an auditor, the replacing alternate auditor must belong to the same list as the departing auditor, pursuant to the gender equilibrium laws applicable from time to time.

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

The provisions of the by-laws relative to the appointment of the Board of Statutory Auditors are available in the specific section of the website www.itkgroup.it and we reiterate that the procedure has been updated and made compliant with the new applicable provisions, the latest based on the resolution of the extraordinary shareholders' meeting held on 11 June 2014.

14. Composition and functions of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed as proposed by Quattroduedue SpA (the majority shareholder of the Company with 45.75% of voting capital) during the Shareholders’ Meeting held on 19 June 2015 for 2015, 2016 and 2017 with their term of office ending on the date of the Shareholders’ Meeting held to approve the financial statements as at and for the year ending 31 December 2017.

Shareholders resolved to unanimously vote for the nominees; 47.108% of voting capital was present.

None of the Statutory Auditors, therefore, was appointed from a list submitted by a non-controlling Shareholder, which, pursuant to article 22 of theby-laws , would be the highest in accordance with articles 147-ter, paragraph 1 of TUF and 144 quater of the Issuer Regulation.

To this end, it is hereby reiterated that currently, this percentage for Intek Group is equal to 4.5% pursuant to the Consob resolution no. 19499 of 28 January 2016.

It is hereby noted that this composition is compliant with the provisions regarding the “gender quotas” due to the presence of the Standing Auditor, Francesca Marchetti and the Alternate Auditor, Elena Beretta.

The names of all the members of the Board of Statutory Auditors in office during 2015 are listed below with a brief curriculum vitae, which is also available on the website www.itkgroup.it.

Marco Lombardi (Chairman)

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

He joined the Board of Statutory Auditors on 1 September 2008, and has been its Chairman since 30 April 2013. He had already been Chairman in 2009/2011.

Francesca Marchetti (Standing Auditor)

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

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

Alberto Villani (Standing Auditor)

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

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

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

Elena Beretta (Alternate Auditor)

Elena Beretta was born in 1969 and received his degree in Economics and Business from the Università Cattolica del Sacro Cuore of Milan. She is registered with the Register of Chartered Accountants and the Register of Auditors and works in Milan, as an advisor for multinational Italian and foreign industrial groups.

She was appointed for the first time as Alternate Auditor on 19 June 2015.

Andrea Zonca (Alternate Auditor)

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Statutory Auditors regularly carries out its activities and takes part in the meetings of the Board of Directors and the other Committees, coordinating its activities with the internal audit function in particular, and with the Control and Risks Committee. Furthermore, the Board of Statutory Auditors has over time acquired, developed and maintained on the occasion of the changes in its membership, the possibility of constantly being in contact with the offices of the Company which it contacts directly and in full independence. As just underlined, this feature was confirmed on the occasion of its renewal in 2015 and of the changes in its membership structure.

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

In this context, the Board of Statutory Auditors furthermore monitors the independence of theaudit company.

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

During 2015, the Board of Statutory Auditors met 5 times (6 times in 2014); participation in the meetings by the members was 100% (compared to 94.4% the previous year). The average duration of the meetings of the Statutory Auditors was approximately 2 hours.

During 2016, the Statutory Auditors met once.

In 2015, the Board of Statutory Auditors, represented by its chairman, Marco Lombardi and the standing auditors Francesca Marchetti and Alberto Villani, took part in all the meetings of the Control and Risk Committee, with concurrent coordination of the information flows insofar as the respective functions of the Board itself, the internal auditing department manager, the executive in charge of financial reporting, the auditing firm and the executive managers of the company.

* * * * * *

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor at 31 December 2015 in other companies limited by-shares, partnerships limited by shares and limited liability companies.

Name	**Company**	**Position**
Marco Lombardi		
	RECS S.r.l.	Sole Director
	IMI Fondi Chiusi SGR S.p.A.	Member of the Board of Directors
	Brandini S.p.A	Chairman of the Board of Statutory Auditors
	Associazione Partners Palazzo Strozzi	Chairman of the Board of Statutory Auditors
	INTEK Group SpA (2)	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. (1)	Standing Auditor
	Editoriale Fiorentina Srl	Standing Auditor
	Fondazione Angeli del bello	Member of the Audit Board
Francesca Marchetti		
	Ergycapital SpA (1) (2)	Standing auditor
	INTEK Group SpA (2)	Standing auditor
	Nuovi Investimenti SIM SpA	Standing auditor
	Alpi Fondi SGR SpA	Standing auditor
	Festa Trasporti e Logistica Srl	Standing auditor
	Nordimpianti Srl in Liquidation into an arrangment with creditors	Court-appointed liquidator
	Garrol Srl in Liquidation into an arrangment with creditors	Court-appointed liquidator
	Biofer Srl in Liquidation into an arrangment with creditors	Court-appointed Commissioner
Alberto Villani		
	INTEK Group SpA (2)	Standing auditor
	AGB Nielsen M.R. Holding SpA	Chairman of the Board of Statutory Auditors
	Bennet SpA	Standing auditor
	Bennet Holding SpA	Standing auditor
	BTSR International SpA	Chairman of the Board of Statutory Auditors
	Calvi SpA	Managing Director
	Compagnia Padana per Investimenti SpA	Alternate auditor

	Combi Line International SpA	Standing auditor
	De Longhi SpA (2)	Standing auditor
	De Longhi Capital Services Srl	Standing auditor
	De Longhi Appliances Srl	Standing auditor
	Effe 2005 Gruppo Feltrinelli SpA	Standing auditor
	FEB - Ernesto Breda SpA (1)	Chairman of the Board of Statutory Auditors
	Finmeg Srl	Standing auditor
	Fratelli Consolandi Srl	Chairman of the Board of Statutory Auditors
	Gallerie Commerciali Bennet SpA	Standing auditor
	GCG Scarl in liquidation	Receiver
	Glunz & Jensen SpA	Chairman of the Board of Statutory Auditors
	HDP SpA	Chairman of the Board of Statutory Auditors
	I2 Capital Partners SGR SpA (1)	Chairman of the Board of Statutory Auditors
	Immobiliare Andronica SpA	Alternate auditor
	Impresa Luigi Notari SpA	Alternate auditor
	ISNO 3 Srl	Chairman of the Board of Statutory Auditors
	Kiepe Electric SpA	Standing auditor
	Lambda Stepstone Srl	Standing auditor
	Meg Property SpA	Standing auditor
	Nuova GS SpA	Standing auditor
	Over Light SpA	Standing auditor
	P Group Srl in liquidation e concordato preventivo	Alternate auditor
	Quattroduedue SpA	Chairman of the Board of Statutory Auditors
	Royal Immobiliare Srl	Sole Director
	Selecta SpA	Chairman of the Board of Statutory Auditors
	Selecta Digital Services SpA	Chairman of the Board of Statutory Auditors
	Selecta Taas SpA	Chairman of the Board of Statutory Auditors
	Sireg SpA	Standing auditor
	SO.SE.A. Srl	Member of the Board of Directors
	Steelma SpA in liquidation	Standing auditor
	Tenuta Montemagno Soc. Agricola SpA	Chairman of the Board of Statutory Auditors
	Vetus Mediolanum SpA	Standing auditor
	Viator SpA in liquidation	Alternate auditor

Elena Beretta		
	FEB – Ernesto Breda SpA (1)	Alternate auditor
	Fratelli Consolandi Srl	Standing auditor
	Glunz & Jensen SpA	Standing auditor
	Immobiliare Venezia Srl	Alternate auditor

Impresa Costruzioni Grassi e Crespi Srl	Alternate auditor
INTEK Group SpA (2)	Alternate auditor
ISNO 3 Srl	Alternate auditor
Lariohotels SpA	Alternate auditor
Quattroduedue SpA	Standing auditor
Romeo Maestri & Figli SpA	Alternate auditor
Selecta SpA	Alternate auditor
Selecta Digital Services SpA	Alternate auditor
Selecta Taas SpA	Alternate auditor
Steelma SpA in liquidation	Alternate auditor
Stips Italie SpA	Alternate auditor
Viator SpA in liquidation	Alternate auditor

Andrea Zonca		
	Fidiger SpA	Chairman of the Board of Statutory Auditors and Member of the Supervisory Board
	Immobiliare Cerreto SpA	Chairman of the Board of Statutory Auditors
	Erich Weitzmann SpA	Member of the Board of Directors
	So.Se.Co. Srl	Member of the Board of Directors
	Arsonsisi SpA	Standing auditor
	Dalmar SpA	Chairman of the Board of Statutory Auditors
	Dalmar Impianti SpA	Standing auditor
	Axxam SpA	Standing auditor
	Environnement Italia SpA	Chairman of the Board of Statutory Auditors
	Clovis Oncology Italy Srl	Standing auditor
	GreenItaly1 SpA	Standing auditor
	ISNO 3 Srl	Standing auditor
	Magnetor Srl	Standing auditor
	Over Light SpA	Standing auditor
	Tankoa Yachts SpA	Standing auditor
	Azienda Agricola Querciabella SpA	Standing auditor
	Romeo Maestri & Figli SpA	Standing auditor
	Safim Leasing SpA in liquidation	Chairman of the Board of Statutory Auditors
	Sireg SpA	Chairman of the Board of Statutory Auditors
	Trustfid SpA	Chairman of the Board of Statutory Auditors
	U.F.M. S.p.A. in Liquidation	Standing auditor
	Impresa Luigi Notari SpA	Standing auditor

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

(2) company listed in a regulated market.

15. Investor Relations

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

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

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

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

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

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

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

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

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

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

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

During 2015, the website www.itkgroup.it, which is available in Italian as well as in English, had over 80 thousand hits by over 56 thousand visitors with over 263,000 pages viewed. The considerable increase in the traffic compared to the previous year is due to a peak of visits to the website concentrated in the period from 26 January to 18 February 2015 when there was a particular request for contents relative to "Non-recurring Transactions" and "INTEK GROUP 2015/2020 Bond Loan". The other contents that were the most visited were those relative to the section *Investor Relations* and *corporate governance*.

There have been over 5,900 visits to the financial statements section, from which it is possible to download the annual financial statements as well as the interim financial statements.

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

The information role of investor relations is performed by the individual company units for their respective areas of expertise.

This decision takes account of the current internal resources and structures of the Company and ensures that information is provided as and when required.

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

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

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

The speed and procedures with which the information regarding the transactions that took place during 2015 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as on organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

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

16.Shareholders' Meetings

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

The implementation of EU Directive no. 36/2007, commonly known as the "shareholders' rights directive", has profoundly changed the provisions regarding the involvement of Shareholders in the activities of listed companies. Additional changes were introduced by Legislative Decree 91 of 18 June 2012, as it was subsequently amended.

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

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

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

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

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

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

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

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

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

The above-mentioned article in the By-laws contains the provisions on how to exercise the vote by correspondence.

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

As a departure from the Code, the Company has decided to do without specific “Shareholders’ Meeting Rules” due to the existence of the provisions of Chapter III of the Company By-laws, available on the Company’s website in the Profile – by-laws section.

Greater details on participation at the specific meeting and the right to ask questions can be found in the *Governance/Shareholders' Meetings* section with reference to upcoming Shareholders’ Meetings.

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

Owners of saving shares or bonds are not entitled to participate in the meetings of the holders of ordinary shares or bonds.

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

During 2015, the following shareholder meetings were held: an ordinary and extraordinary shareholders’ meeting and a special shareholders’ meeting for holders of savings shares on 19 June 2015, a special shareholders meeting for holders of saving shares and an extraordinary meeting on 17 July 2015 and finally a special meeting of holders of saving shares on 21 October 2015.

During 2016, a special meeting for holders of saving shares was held on 16 February.

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

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

In particular, Articles 17 (Appointment and composition of the Board of Directors, and duration of the office of its members) and 22 (Board of Statutory Auditors) were amended in 2007, with the introduction of the voting list method for minorities and in 2014, by adaptation thereof to the regulations on gender balance insofar as the composition of the administration and control bodies, as introduced by law no. 120/2011.

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

It should be noted that the provisions which became effective in 2012 require that the notice indicate the deadline by which questions can be put forward prior to the meeting, and that this deadline cannot be earlier than three days prior to the Shareholders' Meeting on the first or single call or five days if the notice provides for that the company will provide a response prior to the meeting. In this case, the answers must be provided at least two days prior to the meeting, including through publication in the special section of the company's web site.

The right to ask questions is entitled to the individuals with the voting rights and not the shareholders.

The company has not considered it necessary to compile a specific regulation on conducting shareholders' meetings, as the appropriate measures for the orderly and functional unfolding thereof is already provided for in theBy-laws, under article 12 covering the powers of the Chairman of the shareholders' meeting.

The extraordinary shareholders' meeting of 19 June 2015 introduced articles 11, 11-bis, 11-ter and 11-quarter, establishing the increased voting right for shareholders that are eligible pursuant to the requirements set by the law that so request by registering the in the special register that the Company has established. Two shareholders are currently registered.

In 2015, a single ordinary shareholders' meeting was held, which was attended by 8 directors.

At that time, the Board of Directors provided adequate information on the activity carried out and which has been planned providing the shareholders with any element required for full knowledge of the information required for the decisions to be taken by the shareholders' meeting.

All the information regarding the disclosures on the operating procedures of the Remuneration Committee was provided within the specific report submitted for examination tothe shareholders' meeting.

Additions to the Agenda and presentation of new resolution proposals

Article 10 of the By-laws highlights, in compliance with article 126-bis of TUF, that shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the Shareholders' Meeting notice, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed.

Agenda items may not be added with respect to issues on which Shareholders resolve as per the law, upon proposal by Directors or based on a project or report put forward by Directors, other than those specified in article 125-ter, paragraph 1 of TUF.

Following the 2012 amendments, this provision was extended in order to allow Shareholders with a similar stake, again within 10 days of publication of the notice and according to a procedure similar to that provided for the addition to the agenda items, to put forward resolution proposals on issues already on the Agenda.

In any case, any persons with voting rights can individually put forward resolution proposals to the Shareholders' Meeting.

Pursuant to the law, the requests for additions and/or submission of a new resolution proposal shall be made using that same procedures as provided for the convening of the Shareholders' Meeting at least 15 days prior to the date set for the meeting, making the Report available to the shareholders, accompanied by any assessments by the Board of Directors.

Request to call Shareholders' Meeting

Article 10 of the By laws, in accordance with the provisions of article 2367 of the Italian Civil Code, provides that Shareholders who represent at least a twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request shall be made by registered letter and shall contain the list of the items to be included in the Agenda and the detailed list of those requesting the meeting, together with a copy of the communication issued by the authorised intermediaries who certify ownership of the shares and their number.

17.Other Corporate Governance Issues

Internal Dealing Code

As from 1 April 2006, following the entry into force of the provisions on internal dealing introduced by Law no. 62 of 18 April 2005 and the subsequent amendments to CONSOB's IssuerRegulation, the Board of Directors decided at its meetings in March and then in November 2006, 2007, 2013 and on 28 April 2014 to amend and subsequently keep up to date and efficient the original procedure for the purposes of:

- Ensurens the dissemination and facilitating the awareness of the new provisions among the "relevant parties";
- maintaining the procedure efficient and up to date.

As an aside, it should be noted that the black out periods for transactions in the Company's financial instruments by the "relevant parties" has been maintained.

A description of the procedure is available in a specific section of www.itkgroup.it, which also includes a list of all transactions concerned.

Pursuant to the new provisions regarding remuneration, the shares held in the Company and its subsidiaries by Directors and Statutory Auditors, as well as by the strategic directors of the Company and the Group, are indicated in the Report on Remuneration which you are referred to.

Personal data protection

Regarding the protection of personal data, it should be noted that article 45, paragraph 1.d) of Legislative Decree no. 5 of 9 February 2012 has eliminated the requirement to prepare a "Security Planning Document." The external Data Processing officer has been identified as the Company's Chairman.

18.Changes after the year end

There have been no significant changes since the end of the reporting period, other than those referred to in this Report.

TABLE 3

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		REMUNERATION COMMITTEE ****	
Position	Members	Year of birth	Date of first appointment*	Serving from	Serving until	List **	Executive	Non-executive	Independent as per Code	Independent as per	% (*)	Number of other positions***	(**)	% (*)	(**)	% (*)
Chairman	Vincenzo Manes	1960	14.2.2005	19.06.2015	31.12.2017	M	X				8/9	4				
Deputy Chairwoman	Diva Moriani	1968	27.4.2005	19.06.2015	31.12.2017	M	X				8/9	4				
Director	Salvatore Bragantini	1943	11.6.2014	19.06.2015	18.04.2016	M		X			5/9	3				
Director	Marcello Gallo	1958	14.2.2005	19.06.2015	31.12.2017	M		X			8/9	4				
Director	Giuseppe Lignana	1937	12.1.2005	19.06.2015	31.12.2017	M		X	X	X	9/9	==	P	6/6	M	1/1
Director	James Macdonald	1951	30.4.2013	19.06.2015	31.12.2017	M		X			6/9	==				
Director	Alessandra Pizzuti	1962	19.6.2015	19.06.2015	31.12.2017	M		X			5/5	1				
Director	Luca Ricciardi	1973	30.4.2013	19.06.2015	31.12.2017	M		X	X	X	9/9	==	M	6/6		
Director	Franco Spalla	1952	30.4.2013	19.06.2015	31.12.2017	M		X	X	X	9/9	1	M	4/4		
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																
Director	Mario D'Urso	1940	14.2.2005	28.06.2012	05.06.2015	M		X	X	X	1/3	==	P	2/2	M	1/1
Director	Alberto Pirelli	1954	27.10.2000	28.06.2012	19.06.2015	M		X	X	X	3/4	6			P	1/1

Indicate the *quorum* required for the presentation of lists for the most recent appointment: 4.5%			
Number of meetings held during the year	*Board of Directors: 9*	*Control and Risks Committee: 6*	*Remuneration Committee: 1*

Notes

Attendance at meetings for which minutes were taken is reported in the table. It should be remembered that all the member of the Committees and those invited at the meetings, regardless of whether or not they actually attend, receive documentation and information regarding items on the Agenda with due notice, and take part in their discussion in preparation for the passing of resolutions.

*** Date of first appointment for each director means the date on which the director was appointed for the first time (in an absolute sense) by the Issuer's BoD.**

**** In this column, we indicate the list from which each director was selected ("M" majority list; "m" minority list;"BoD" list presented by the BoD).**

***** This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in Italy or abroad, as well as in financial, banking, insurance or other companies of considerable size. The Report includes the list of these companies with reference to each director, specifying whether or not the company in which the position is held is part of the Group of which the Issuer is the parent or part.**

(*) This column indicates the attendance of directors at the meetings of the Board and the committees, respectively (no. of attendances/no. of meetings held during the effective term of office of the person concerned).

(**) This column indicates the position of the Director within the Committee: "P" if President/chairman; "M" if a member.

****** The committee is no longer established pursuant to the resolution of the BoD on 19 June 2015.**

TABLE 4

Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS

Position	Members	Year of birth	Date of first appointment*	Serving from	Serving until	List **	Independence as per Code	% ***	Number of other positions****
Chairman	Marco Lombardi	1959	1.9.2008	19.06.2015	31.12.2017	M	x	5/5	5
Standing auditor	Francesca Marchetti	1963	28.6.2012	19.06.2015	31.12.2017	M	x	5/5	3
Standing auditor	Alberto Villani	1962	30.4.2013	19.06.2015	31.12.2017	M	x	5/5	6
Alternate auditor	Elena Beretta	1969	19.6.2015	19.06.2015	31.12.2017	M	x	==	3
Alternate auditor	Andrea Zonca	1966	30.4.2013	19.06.2015	31.12.2017	M	x	==	4

---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------									
Alternate auditor	Lorenzo Boni	1968	29.4.2009	30.04.2013	19.06.2015	M	x	==	

Indicate the *quorum* required for the presentation of lists for the most recent appointment: 4.5%
Number of meetings held during the year: 5

Notes

* Date of first appointment for each director means the date on which the director was appointed for the first time (in an absolute sense) by the Issuer's Board Of Statutory Auditors.

** In this column, we indicate the list from which each auditor was selected ("M" majority list; "m" minority list).

*** This column indicates the participation of the statutory auditors in the meetings of the Board of Statutory Auditors (number of presence is/number of meetings carried out during the actual period of office of the person concerned)

**** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant under article 148 bis of the TUF.

TABLE 5

Other provisions of the Code of Conduct

	YES	NO	Reasons for any non-compliance with the Code's recommendations
Delegation of powers and transactions with related parties			
Has the Board of Directors delegated powers establishing the relevant:			
a) limits	x		
b) methods of exercise	x		
c) frequency of reporting?	x		
Has the Board of Directors reserved the power to examine and approve transactions of significant importance to the company's operating results, cash flows and financial position (including transactions with related parties)?	x		
Has the Board of Directors defined guidelines and criteria for identifying "significant" transactions?	x		
Have the above guidelines and criteria been described in the Report?	x		
Has the Board of Directors established specific procedures for the examination and approval of transactions with related parties?	x		
Have the procedures for the approval of transactions with related parties been described in the Report?	x		
Procedures for the most recent appointments as Directors and Statutory Auditors			
Were nominations for the position of Director submitted at least twenty five days in advance?	x		
Were nominations for the position of director accompanied by exhaustive information?	x		
Were nominations for the position of Director accompanied by a statement of the eligibility of the nominee to be qualified as independent?	x		
Were nominations for the position of Statutory Auditor submitted at least twenty five days in advance?	x		
Were nominations for the position of Statutory Auditor accompanied by exhaustive information?	x		
Shareholders' Meetings			
Has the Company approved a set of Rules of the Shareholders' Meeting?		x	See Title III of the CompanyBy-laws, a full copy of which is available on the website
Have the Rules been annexed to the Report (or is there information as to where it is available or can be downloaded)?		x	
Internal Control			
Has the Company appointed internal control officers?	x		

Are the internal control officers independent of the heads of operational department?	x		
Organisational unit in charge of internal control (ex art, 9.3 of the Code)	x		Head of Internal Control
Investor relations			
Has the Company appointed a head of investor relations?		x	Day to day activities supported by the relevant corporate units
Organisational unit and contact details (address/telephone/fax/e-mail) of the head of investor relations		x	The e-mails to be used for any requests by shareholders and third parties are indicated in this report and on the website

INTEK GROUP

REPORT ON REMUNERATION

2015

Prepared pursuant to article 123-ter and article 84-quater of Consob Resolution no. 11971 of 14 May 1999

Board of Directors
of 29 April 2016

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

Dear Shareholders,

For the purpose of increasing the involvement of the shareholders in its determination and strengthening its transparency and coherence, the issue of the remuneration of the members of the corporate bodies has undergone significant legislative interventions. Legislative Decree 259 of 30 December 2010 amended Legislative Decree 58 of 24 February 1998 (hereinafter the "TUF") by introducing article 123-ter which provides for the preparation of the "Report on Remuneration" (hereinafter "the Report").

The "Report on Remuneration" shall be approved by the Board of Directors and filed with the Company's registered offices at least 21 days prior to the annual Shareholders' Meeting held to approve the annual financial statements. Then, the Shareholders' Meeting shall resolve on a specific agenda item, expressing a non-binding vote in favour of or against Section I of the report as identified below. The outcome of the vote is disclosed in a specific section of the Company's website www.itkgroup.it.

In preparing this report, the Company adhered to the indications set forth in Consob resolution no. 18049 of 23 December 2011, which had added article 84-quater to Consob Resolution no. 11971 of 14 May 1999 (hereinafter the "IssuerRegulation") and followed the format required therein for the preparation of this document.

According to this layout the "Report on Remuneration" shall be divided into two sections:

- **Section I**

focusing on the policy adopted by the Company regarding remuneration of the Board of Directors' members, the General Managers and Key management personnel as well as on the adopted procedures and the implementing terms and conditions;

- **Section II**

focusing on an analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key management personnel, including through the use of specific tables.

The Report includes all information on the remuneration of Directors, key management personnel and of the Board of Statutory Auditors as well. A "remuneration plan" pursuant to article 114 bis of TUF based on financial instruments provided to executive members of the Board of Directors and Executives is hereby included as well.

Reiterating that the company adheres to the Code of Conduct (hereinafter the "Code of Conduct" or the "Code") approved by the Corporate Governance Committee, this report has also been prepared in compliance with article 6 of the aforementioned Code.

Following the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (Fifthedition, January 2015) concerning the "Report on corporate governance and ownership structure", disclosure required by the Code of Conduct was included in this report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report, as well.

Again in accordance with the aforementioned indications, the "Report on Governance " and the " Report on Remuneration " are available also from the registered office of the Company and the governance section of the website www.itkgroup.it. Due to their respective contents and the numerous reciprocal overlapping, it is recommended that they be read and examined jointly.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 29 April 2016.

1 Section I

1.1 Introduction

Beginning from 2013, with the conclusion of the merger of Intek S.p.A. into KME Group S.p.A (now the "Intek Group S.p.A") (hereinafter the **"Merger"**), Intek Group S.p.A. (hereinafter also "Intek Group" or the "Company") has redefined its strategic mission, approach to the market and the new governance structure.

Intek has concentrated on the holding activities - indeed, following the Merger, the investees with their businesses are now a part of the company while they had previously been owned by the merged companies - focusing on enhancing the value of its strategic assets through dynamic management of its own equity portfolio.

In particular, the activity involves investment management and new acquisitions both in traditional sectors and in innovative sectors.

The new business strategy is focused on continuous reviewing of the portfolio and assets of the company and the operations represented. Therefore, the return/resources employed ratio is discussed anew, and solutions are sought for those who do not reach acceptable performance levels and are therefore not in line with the management policies.

Maximisation of the value of the assets managed is therefore achieved by carefully defining business strategies as well as identifying agreements and/or partnership opportunities, the valorisation of individual assets and the performance of non-recurring operations involving the investments held in the portfolio. This strategy has already produced significant results over the last few years, in particular with the 2014 sale of the equity investment held in Cobra AT SpA (“**Cobra**”) and, for the "copper" sector, with the agreements in China and Great Britain, concluded in the first half of 2014 and the conclusion in December 2015 of a contract with the Cupori LTD group for the sale of up to 60% of KME France SAS. An initial 49% tranche was sold in March 2016; KME AG has in place a put option for the sale of the remaining 11%.

Regarding the process of diversifying the company's investments, which has already begun, we note that the traditional "copper" sector, including the production and marketing of copper and copper alloys semi-finished products (handled by the German subsidiary KME A.G.), which continues to be the Group's industrial core-business, representing over 85% of capital invested, following the merger, was joined by the "financial assets and investment property"segment, which includes the private equity activity, carried out mainly through the restricted investment fund I2 Capital Partners and the management of receivables and investment property.

Beginning from the interim financial statements at 30 September 2014, after the sale of Cobra which took place in August 2014, the financial assets and investment property include also the equity investment in ErgyCapital S.p.A. (hereinafter "**ErgyCapital"**), an investment company listed on the MTA of the Borsa Italiana, held through the fully-owned subsidiary KME Partecipazioni S.p.A. (hereinafter "**KME Partecipazioni**"), operating in energy from renewable sources and energy savings, previously classified among investments in the "Advanced Services" sector. We furthermore reiterate that KME Partecipazioni is set to be merged into Intek Group as already resolved by the Boards of Directors of both companies. The merger is expected to be finalised by the end of the first half of 2016.

Always with the objective of maximizing production efficiency and value for the shareholders, beginning from the second half of 2014, and pursuing strategic alliances with major sector operators, the KME Group changed its own organizational structure in order to specialize by businesssegment, with a clear separation of the management of the "special products" (designing of steel plants and production of ingot moulds, not only for steel but also for non-ferrous metals used for ship constructions, maritime plants, industrial chemistry, energy and steel plants) from the standard products (extruded and drawn copper products).

Concurrently with this focus on the strategies, upon approval of the financial statements at 31 December 2014, the Company applied the IFRS on investment entities (amendments made to IFRS 10 and 12 and to IAS 27), introduced with EU Regulation no. 1174/2013, which provides that investment entities should not consolidate their investments in subsidiaries using the line by line method, but instead should measure them at fair value through profit or loss.

During 2015, in order to render the implementation of these strategies more effective, a decision was made to reorganise the managing body of the KME Group which, in line with the strategies defined by the parent,Intek Group, is responsibility of the Board of the German parent, KME A.G, with Vincenzo Manes as Chief Strategic Officer and Diva Moriani, which retains her role as the Group CEO, to whom all the operating units and staff functions report.

Concurrently, the organisational approach to the sector business was redesigned with a more streamlined and rationalised operating model, so as to ensure achievement of the objectives of the new strategy; on the one hand, the core business consists of the special products, the copper rods and the standard German products (rolled products and tubes) and on the other, the standard products business (rolled products and tubes) in Italy, France and Spain, which required internal restructuring solutions or combinations with third parties able to ensure an economically sustainable operating outlook.

The new mission and the new business strategies, together with a change in the Group's organizational structure influence, as will be seen below, the remuneration policy of Intek Group.

1.2 The Intek Group Governance Model

1.2.1 Corporate bodies

Following the decisions made by the Shareholders' Meeting held on 19 June 2015, the Company's Board of Directors and the Board of Statutory Auditors are composed as follows as at the date of this Report:

Board of Directors

Members	Position held in the Board of Directors	Positions held in Committees	
		Remuneration Committee (2)	Control and Risk Committee
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Salvatore Bragantini (1)	**Director**		
Giuseppe Lignana	**Lead Independent Director**		√ **(Chairman)**
Alessandra Pizzuti	**Director**		
Marcello Gallo	**Director**		
James Macdonald	**Director**		
Luca Ricciardi	**Lead Independent Director**		√
Franco Spalla	**Lead Independent Director**		√

(1) Resigned since 18 April 2016

(2) This Committee is no longer in existence since 19 June 2015.

Board of Statutory Auditors

Members	Office held on the Board
Marco Lombardi	Chairman
Francesca Marchetti	Standing auditor
Alberto Villani	Standing auditor
Andrea Zonca	Alternate Auditor
Elena Beretta	Alternate Auditor

Key managment

For 2015, the Intek Group Key management consists exclusively of the executive directors Vincenzo Manes and Diva Moriani.

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

The mandate of the Remuneration Committee expired at the Shareholders' Meeting held on 19 June 2015, which approved the financial statements as at and for the year ended 31 December 2014. The Company's Board of Directors, appointed by this Shareholders' Meeting, decided not to re-establish the Remuneration Committee pursuant to art. 6 of the Borsa Italiana Code of Conduct, which considered that specifically for Intek Group, the duties incumbent upon the Remuneration Committee as required by the Code (see Standard 6.C.5) could be satisfactorily carried out directly by the Board of Directors.

It is actually believed that the administrative body in its entirety is the entity that is able to adequately and efficiently identify and set the incentive criteria (which are connected to the valuation of the assets as indicated above), based on which the variable component of the remuneration of the executive directors and the key management personnel can be calculated, and it is also the appropriate entity for ensuring achievement of the pre-set objectives.

The Board considered that the recently changed redefinition of the Company's strategic mission, approach to the market and the new governance structure rendered the remuneration policy simpler than it had been in the past. This policy will now refer only to the Company's executive Directors and any key management personnel, while the policy applicable to the Directors and Managers of the subsidiaries/investees, which are considered as investments, will fall under the exclusive competence of the administrative bodies of the individual subsidiaries/investees.

The remuneration policy applicable to the executive directors and the remuneration criteria of the key management personnel was approved by the Board of Directors, after being examined by the Board of Statutory Auditors.

The Board of Directors has the option of working with at least two independent directors in order to address specific queries or to analyse issues that refer to the remuneration of Executive Directors which are from time to time significant. The opinions of such directors may be discussed within the Board of Directors.

The Board of Directors initiates the activities and duties related to remuneration, as these are set forth in the Code, under art. 6.C.5.

The Board of Directors is responsible for overseeing the implementation of the application of the remuneration policy adopted.

The Board of Directors prepares the Report on Remuneration based on the remuneration policy as it has been examined and approved and upon the proposal of the consultative vote of the Shareholders' Meeting.

1.2.3 The Remuneration Committee: role, composition and activities

As indicated under point 1.2.2. above, in its meeting of 19 June 2015, the Board of Directors decided not to re-establish the Remuneration Committee, the mandate of which expired on that day. During that same meeting, the Board of Directors resolved that the duties set by the Code of Conduct for Remuneration Committees could be performed by the Board of Directors directly.

As a Remuneration Committee was not appointed, the Company amended the Related Parties Procedure by attributing to the Control and Risk Committee the responsibility for the remuneration of corporate bodies and key managementpersonnel.

During 2015, prior to its expiration, the Committee met once as described in the table below:

Members of the Committee	Number of attendances at Committee meetings in 2015	Percentage
Alberto Pirelli (Chairman)	1	100%
Mario D'Urso	1	100%
Giuseppe Lignana	1	100%

1.3 General Remuneration Policy Principles

1.3.1 The objectives of the remuneration policy and its changes

In its meeting held on 5 August 2015, and with the opinion in favour of the Board of Statutory Auditors and the Control and Risk Committee, the Board of Directors officially approved its remuneration policy for 2015. It will be applied for 2016 as well.

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

It contributes to attracting and maintaining high-level professional skills and aligning individual targets and conduct to the Group's medium to long-term strategies and plans.

The overall remuneration structure is based on the following principles:

- A balanced formulation:
- adequate balance between fixed and variable components of remuneration. The variable components shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;
- appropriate variable remuneration, based on medium to long-term goals and not simply on short-term initiatives. The connection between remuneration and *performance* shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the residual management policies adopted by the Company;
- focusing on the creation of value for Shareholders over the medium to long-term.

Generally, the remuneration of the Directors and key management personnel is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the company.

With regard to article 6.P.2 of the Code of Conduct, it is hereby specified that, due to the Company's changed business and organisational strategies, the incentive schemes for executive and Key Directors are linked to the achievement of significant capital gains from the sales of equity investments and/or assets in the Company's portfolio and are therefore based on the creation of "value" for the Company, as opposed to the past when emphasis was placed on performance and/or profitability objectives of the individual subsidiaries.

To this end it is hereby specified that only assets that constitute an investment are measured, in the sense of the "investment" as provided in IFRS 10 and therefore equity investments, whether controlling or not, in companies that are instrumental to the operations of Intek Group are excluded.

The Board of Directors is in charge of implementing specific principles of the remuneration policy in regard to the calculation of the remuneration of Executive Directors and Key Directors.

Regarding the remuneration policy of the Intek Group investees, this policy will be established directly by the respective administrative bodies, based on the indications that will be given to them by the committee and therefore by the Company's Board of Directors.

1.3.2 The remuneration policies for Directors and Key managers

1.3.2.1 Members of the Board of Directors

The Intek Group remuneration policy defines the guidelines which the Board of Directors complies with in order to determine the remuneration of the Board members, specifically Directors with specific mandates and key managers.

The remuneration of the Non-Executive Directors is in line with the commitment required.

Based on article 8 of the Company By laws, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company's By-laws, on 19 June 2015 the Shareholders' Meeting has granted an annual fixed compensation of 15,000 to the Board members for the three year-period 2015, 2016 and 2014 , increased by 50% for those sitting in appointed Committees.

In the event that payment pursuant to article 8 of the By laws is granted, the amounts received as fixed fees are considered as an advance of the aforementioned payment.

Given the new holding configuration of the diversified equity investments held by the Company, the remuneration package of the directors does not include any variable monetary components, which are however provided for the other Executive Directors and Key Directors.

The compensation attributed to them and other directors pursuant to the bylaws, is connected to the positive result in the year and allows them to participate, albeit not in a particularly in significant manner, in the results of operations of the Company.

No non-executive director participates in the stock option plan.

1.3.2.2 Executive Directors

Fixed component

In its meeting of 5 August 2015, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes a fixed remuneration of Euro 700,000 per annum for the period from 19 June 2015 until the Shareholder's Meeting date set for the approval of the financial statements as at for the year ended 31 December 2017.

Moreover, the Chairman was provided with an amount for the rental of a residence of up to Euro 100,000 per annum, as well as a liability policy with maximum coverage of Euro 5,000,000.

In the same meeting of 5 August 2015, the Board of Directors resolved to allocate to the Deputy Chairwoman Diva Moriani a fixed remuneration of Euro 100,000 per annum for the period from 19 June 2015 until the Shareholder's Meeting date set for the approval of the financial statements for the period ended 31 December 2017.

Variable Component

The variable component of the remuneration of the executive Directors and the Key Management personnel is calculated on the basis of the capital gains realised in relation to the disposal of the equity investments and/or assets in the Company's portfolio.

No variable annual remuneration is therefore provided, but the variable component of the Executive Directors is due from the Company only if the <u>capital gains are secured from the sale of equity investments and/or portfolio assets.</u>

Upon conclusion of these sales, the Board of Directors will assess the transactions themselves and define the variable portion payable to the Executive Directors, if applicable.

This remuneration must nevertheless be set between a comprehensive range from <u>0.50% to 2% of the capital gains realised</u>, for all Executive Directors. The Board of Directors will establish, on a case by case basis, the specific percentage falling within that range and the distribution between the entitled individuals, based on their contribution to securing the capital gain.

In any case, regardless of the amount of the net profit gained, the Executive Directors shall not receive any amount above Euro 4,000,000 per individual transaction.

The variable component of the remuneration will be paid to the Executive Directors as follows: 50% upon securing the capital gain; 50% within two years of the realisation of the gain or in any case upon conclusion of the period during which any guarantees issued by the Company covering the purchasers are in effect or upon conclusion of any disputes relative to the sale. It is understood that the payment of the balance will be decreased proportionally to the guarantees paid to the purchasers, or the outcome of disputes with purchasers regarding such sales, resulting in decreased net capital gains for the Company.

The Board of Directors of Directors may also determine cases in which the Executive Director loses the right to receive the variable component, which is recognised by the Company, but not yet disbursed, in the event that that Director is no longer in office or is no longer connected with the Company.

Regarding "long period" remunerations, it is hereby noted that from maturity on 31 December 2015 of the "Intek Group SpA 2010-2015 Stock Option Plan", no additional incentive schemes are in effect. For further details see paragraph 1.4.

1.4 The components of top management's remuneration

<u>1.4.1 Fixed Remuneration</u>

Top managers' fixed remuneration reflects and is in line with the technical, professional and managerial skills of each manager. It is therefore very closely related to the role held within the Company and based on the responsibilities assumed.

1.4.2 Annual Variable Remuneration

The variable component of the remuneration aims to reward management on the basis of results actually achieved in terms of increasing the value of the equity investment, in line with the new corporate mission, establishing a stable connection between the remuneration and the "value" of the equity investment.

In its meeting of 5 August 2015, the Board of Directors resolved to attribute to the Chairman and Deputy Chairwoman, individually, the powers required to recognise special remuneration and/or bonuses to managers or employees of the Group companies, upon the sale of equity investments and/or asset up to a maximum amount of 5% of the variable remuneration accrued to the Executive Directors on those occasions.

1.4.3 Long-term Variable Remuneration

On 2 December 2009, the Shareholders' Meeting approved the general guidelines and regulations for a stock option plan for the executive directors and managers of the INTEK Group anddirect or indirect subsidiaries.

This plan was based on the free assignment of options providing the Beneficiary with the right to subscribe and/or purchase, depending on the case, Company Shares at the end of specific vesting periods.

On 31 December 2015, the Plan expired without any of its beneficiaries exercising the rights provided by the Plan itself. Currently, there are no incentive plans and therefore no long term variable remuneration is in effect.

1.4.3.1 Policies concerning non-monetary benefits

The Chairman was provided, as a benefit, with an amount for the rental of a residence of up to Euro 100,000 per annum, as well as an accident insurance policy with maximum coverage of Euro 5,000,000.

The Company also signed a "Directors & Officers' Liability" insurance policy (hereinafter the "D&O") which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy covers legal expenses also relating to interlocutory and urgent proceedings.

1.4.3.2 The policy concerning Directors' Termination benefits in case of resignation, dismissal or termination of employment after a takeover bid

On 14 March 2008 the Board of Directors had resolved that a permination benefits ("TFM")shall be paid to Vincenzo Manes, in his capacity as Deputy Chairman at the time of this resolution, of an amount equal to the total average annual remuneration for each three-year period of service to be provided upon termination of each term of office.

Given the new holding structure of diversified equity investments ofthe parent after the merger, with the favourable opinion of the Remuneration Committee and the Board of Statutory Auditors and the agreement of Vincenzo Manes himself, on 19 December 2012 the Board of Directors decided to stop the annual increase of the Directors' Severance Indemnity .

No benefit is provided for "non-competition commitments" or for granting or maintaining non-monetary benefits or entering into consulting agreements subsequently to the termination of the employment relationship; any payment of such benefits or the execution of such agreements is decided from time to time upon termination of the Executive Director's office as part of the overall termination benefits.

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The Shareholders' Meeting of Intek Group S.p.A. held on [1/2] call on [30/31] May 2016 in Milan, Via Filodrammatici 3, at Mediobanca S.p.A.'s offices,

- having acknowledged the "Report on Remuneration" prepared by the Board of Directors, pursuant to article 123 ter of Legislative Decree 58 of 24 February 1999,

resolves

to approve on a consultation basis the "First Section" of the "Report on Remuneration" prepared pursuant to the aforementioned legal provisions."

Milan, 29 April 2016

The Board of Directors

2 Section II

2.1 Part one: Information on the remuneration items

2.1.1 The Board of Directors

2.1.1.1 Remuneration as per the Company By-laws and following decision by the Shareholders' Meeting

Based on article 8 of the Company By-laws, all Directors, whether executive or not, shall receive 2% of profit for the year after allocation to the legal reserve has been made.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company's By-laws, on 19 June 2015 the Shareholders' Meeting has granted an annual fixed remuneration of 15,000 to the Board members for the three year-period 2015, 2016 and 2017 , increased by 50% for those sitting in appointed Committees.

In the event that payment pursuant to article 8 of the By-laws is granted, the amounts received as remuneration are considered as an advance of the aforementioned payment.

2.1.1.2 Remuneration of Directors with specific powers

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors; Executive Directors are the Chairman Vincenzo Manes, and the Deputy Chairwoman Diva Moriani.

In its meeting of 5 August 2015, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes a fixed remuneration of Euro 700,000 per annum for the period from 19 June 2015 until the Shareholder's Meeting date set for the approval of the financial statements as at and for the year ended 31 December 2017. The Deputy Chairwoman Diva Moriani was attributed fixed remuneration of Euro 100,000 per annum for the same period.

No variable annual remuneration is therefore provided, but the variable component of the Executive Directors is due from the Company only if capital gains are secured from the sale of equity investments and/or portfolio assets. For further details see Section 1, par. 1.3.2.2.

2.1.1.3 Remuneration of Non-Executive Directors within Committees

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

The compensation attributed to them and other Directors pursuant to the By-laws, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company'sresults of operations.

No non-executive director participated in the stock option plan which expired on 31 December 2015.

2.1.2 Remuneration of Key managers and other Managers

Currently, the Company has not identified other Key managers.

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

- the Heads of internal control do not receive any specific fixed compensation for carrying out their duties;
- the manager in charge of financial reporting does not receive any additional remuneration for this office.

2.1.3 Stock option plan

2.1.3.1 The “INTEK Group S.p.A. Stock Option Plan 2010-2015”

On 31 December 2015, the Plan expired without any of its beneficiaries exercising the rights provided by the Plan itself. Currently, there are no incentive plans and therefore no long term variable remuneration is in effect.

2.1.4 The Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Statutory Auditors was determined on an annual basis and for the entire term of office (2015-2016-2017) by the Shareholders’ Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the “essential situations” of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, please reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

2.2 Part two: Tables

2.2.1 Fees paid to Directors

The breakdown of fees paid to Directors in 2015, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuer Regulation).

Fees paid to the members of the boards and the key managers

(A)	(B)	©	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	**Office**	**Period of office**	**In office until**	**Fixed remuneration**	**Remuneration for membership in committees**	**Non equity variable remuneration**		**Non monetary benefits**	**Other remuneration**	**Total**	**Fair Value of equity remuneration**	**Termination benefits**
						Bonuses and other incentives	**Profit share**					
Vincenzo Manes (1)	*Chairman*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				761,533	-	-	-	20,399	-	781,932	-	-
(II) Remuneration from subsidiaries and affiliates				351,507	-	-	-	-	-	351,507	-	-
(III) Totale				1,113,040	-	-	-	20,399	-	1,133,439	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				121,547	-	-	-	-	-	121,547	-	-
(II) Remuneration from subsidiaries and affiliates				518,403	-	-	-	6,930	-	525,333	-	-
(III) Total				639,950	-	-	-	6,930	-	646,880	-	-
Salvatore Bragantini	*Director*	*11/06/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				15,000	-	-	-	-	-	15,000	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,000	-	-	-	-	-	15,000	-	-
Mario d'Urso (*)	*Director*	*01/01/2015 - 05/06/2015*										
(I) Remuneration from companies preparing the fin. Statements				6,370	6,370	-	-	-	-	12,740	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				6,370	6,370	-	-	-	-	12,740	-	-
Marcello Gallo (3)	*Director*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				15,000	-	-	-	-	-	15,000	-	-
(II) Remuneration from subsidiaries and affiliates				376,771	-	-	-	4,899	-	381,670	-	-
(III) Total				391,771	-	-	-	4,899	-	396,670	-	-
Giuseppe Lignana (**)	*Director*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				18,600	10,973	-	-	-	-	29,573	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18,600	10,973	-	-	-	-	29,573	-	-
James McDonald	*Director*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				16,800	-	-	-	-	-	16,800	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				16,800	-	-	-	-	-	16,800	-	-
Alberto Pirelli (***)	*Director*	*01/01/2015 - 19/06/2015*										
(I) Remuneration from companies preparing the fin. Statements				6,945	3,473	-	-	-	-	10,418	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				6,945	3,473	-	-	-	-	10,418	-	-
Alessandra Pizzuti	*Director*	*19/06/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				10,455	-	-	-	-	-	10,455	-	-
(II) Remuneration from subsidiaries and affiliates				110,597	-	-	-	5,292	-	115,889	-	-
(III) Total				121,052	-	-	-	5,292	-	126,344	-	-
Franco Spalla (****)	*Director*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				18,000	4,027	-	-	-	-	22,027	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18,000	4,027	-	-	-	-	22,027	-	-
Luca Ricciardi	*Director*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				19,200	-	-	-	-	-	19,200	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				19,200	-	-	-	-	-	19,200	-	-
Other key managers (4)												
(I) Remuneration from companies preparing the fin. Statements				-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and affiliates				425,651	-	-	-	3,222	-	428,873	-	1,814,222
(III) Total				425,651	-	-	-	3,222	-	428,873	-	1,814,222
		Total Intek Group		1,009,450	24,843	-	-	20,399	-	1,054,692		-

Notes

(1) Euro 15,000 as a fixed remuneration pursuant to the resolution of the Shareholders' Meeting for the office of Chairman of Intek Group Spa (Euro 800,000 up to 19 June 2015) , Euro 150,000 for the office of Chairman of I2 Capital Partners SGR SpA, Euro 5,000 as director of I2 Capital Partners SGR SpA, Euro 125,000 for the office of member of the KME AG Vorstand Supervisory Board and Euro 71,807 for the office of member of the KME AG Supervisory Board
The non monetary benefits (Euro 20,399) are paid for the function of Intek Group S.p.A. Chairman.

(2) Euro 15,000 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman of Intek Group SpA (Euro 115,000 until 19 June 2015), Euro 235,000 in his capacity as member of the Vorstand of KME AG, Euro 25,208 in his capacity as a member of the Supervisory Board of KME Germany Bet GmbH, Euro 253,195 for the office of executive at KME Srl (including Euro 3,195 for lump sum reimbursements) and Euro 5,000 for reimbursements for the position as a Director of ErgyCapital SpA.
The non monetary benefits (Euro 6,930) are paid for the function of KME S.r.l. Executive.

(3) Euro 15,000 as fixed remuneration decided upon by the Intek Group Shareholders' Meeting.
From In I2 Capital Partners SGR: Euro 241,678 as an executive, Euro 50,000 as CEO and Euro 5,000 as a director, Euro 12,452 as chairman and director in FEB- Ernesto Breda SpA, Euro 10,000 for the position as liquidator of Bredafin Innovazione SpA under liquidation, Euro 32,589 for membership on the Supervisory Board of KME AG and Euro 25,208 for membership on the Supervisory Board of KME Germany Bet GmbH.
The non monetary benefits (Euro 4,899) are paid for the function as I2 Capital Partners SGR S.p.A. Executive.

(4) Twokey managers.

(*) Euro 3,185 for the Control and Risk Committee and Euro 3,185 for the Remuneration Committee.
(**) Euro 7,500 for the Control and Risk Committee and Euro 3,473 for the Remuneration Committee.
(***) Euro 3,473 for the Remuneration Committee.
(****) Euro 4,027 for the Control and Risk Committee.

2.2.2 __Stock Options__

On 31 December 2015, the Plan expired without any of its beneficiaries exercising the rights provided by the Plan itself. Currently, there are no incentive plans and therefore no long-term variable remuneration is in effect.

Stock options granted to members of the administrative body, general managers and other key managers

			Options held at the beginning of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options for the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair value at the grant date	Grant date	Market price of the underlying shares at the grant date	Number of options	Exercise price	Market price of the underlying shares at the reporting date	Number of options	Number of options	Fair value
Vincenzo Manes	*Chairman*	*2010-2015*															
(I) Remuneration from companies preparing the fin. Statements			14,500,000	0.295	Ott 2011/Dic 2015	-	-	-	-	-	-	-	-	-	14,500,000	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			14,500,000	-	-	-	-	-	-	-	-	-			14,500,000	-	-
Diva Moriani	*Deputy Chairwoman*	*2010-2015*															
(I) Remuneration from companies preparing the fin. Statements			9,000,000	0.295	Ott 2011/Dic 2015	-	-	-	-	-	-	-	-	-	9,000,000	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			9,000,000	-	-	-	-	-	-	-	-	-	-	-	9,000,000	-	-
Giancarlo Losi	*Director*	*2010-2015*															
(I) Remuneration from companies preparing the fin. Statements			2,000,000	0.295	Ott 2011/Dic 2015	-	-	-	-	-	-	-	-	-	2,000,000	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			2,000,000	-	-	-	-	-	-	-	-	-	-	-	2,000,000	-	-
Two Company executives		*2010-2015*															
(I) Remuneration from companies preparing the fin. Statements			3,500,000	0.326	Dic 2013/Dic 2015				-	-	-				3,500,000	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Total			3,500,000	-	-	-	-	-	-	-	-	-	-	-	3,500,000	-	-

2.2.3 Monetary incentives plan

The table below contains the monetary incentive plan in the form required by Table 3B in scheme 7-bis in Annex 3A of the Issuer Regulation.

In 2015, no bonuses accrued to the key management personnel, nor were bonuses paid of previous years.

Monetary incentive plans in favour of members of the administrative body, general managers and other key managers

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	**Office**	**Plan**	**Bonus for the year**			**Bonus of previous years**			**Other bonuses**
			(A)	**(B)**	**(C)**	**(A)**	**(B)**	**(C)**	
			Payable/Paid	**Deferred**	**Reporting period**	**No longer payable**	**Payable/Paid**	**Still deferred**	
(I) Remuneration from companies preparing the fin. Statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-

2.2.4 ***Investments held by members of the administrative and control bodies and key managers***

The investments held by members of the administrative and control bodies and key managers are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter - Table 1 - Annex 3A of the Issuer Regulation).

Investments held by Directors and key Managers

Name and surname	Office	Investee	Number of shares held at the end of 2014	Number of shares purchased during 2015 (*)	Number of shares sold during 2015	Number of shares held at the end of 2015
Marcello Gallo	Director	Intek Group SpA - Ordinary shares	835,931	-	-	835,931
		Intek Group SpA - Savings shares	-	7,530	-	7,530
Luca Ricciardi	Director	Intek Group SpA - Savings shares	120,000	1,081	-	121,081
	2 Key managers	Intek Group SpA - Ordinary shares	304,992	-	-	304,992
		Intek Group SpA - Savings shares	-	2,748	-	2,748
Italo Romano	Key executive	Intek Group SpA - Ordinary shares	163,635	1,474	-	165,109
Gian Carlo Losi	Key executive	Intek Group SpA - Ordinary shares	141,357	1,273	-	142,630

(*) Following the assignment of savings shares to all shareholders at a ratio of 1/111 ordinary and/or savings shares held (Resolution of the Shareholders' Meeting of 19 June 2015).

2.2.5 ***Remuneration of the Board of Statutory Auditors***

The breakdown of the Board of Statutory Auditors' remuneration in 2015, including in subsidiaries, is shown in the table below which has been prepared in accordance with CONSOB provisions ("Scheme 7-bis" – Table 1 – as set out in Annex 3 A of the Issuer Regulation).

Remuneration paid to the members of the control body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period of office	In office until	Fixed remuneration	Remuneration for membership in committees	Non equity variable remuneration		Non monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination benefits
						Bonuses and other incentives	Profit share					
Marco Lombardi	*Chairman*	*01/01/2015 - 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				53,988	-	-	-	-	-	53,988	-	-
(II) Remuneration from subsidiaries and affiliates				21,086	-	-	-	-	-	21,086	-	-
(III) Total				75,074	-	-	-	-	-	75,074	-	-
Francesca Marchetti	*Standing Auditor*	*01/01/2015 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				34,166	-	-	-	-	-	34,166	-	-
(II) Remuneration from subsidiaries and affiliates				12,500	-	-	-	-	-	12,500	-	-
(III) Total				46,666	-	-	-	-	-	46,666	-	-
Alberto Villani	*Standing Auditor*	*01/01/2015 31/12/2015*	*Approval of 2017 fin. stat.*									
(I) Remuneration from companies preparing the fin. Statements				34,166	-	-	-	-	-	34,166	-	-
(II) Remuneration from subsidiaries and affiliates				16,500	-	-	-	-	-	16,500	-	
(III) Total				50,666	-	-	-	-	-	50,666	-	-

Marco Lombardi: (I) Fixed annual remuneration of Euro 52,500 up to 19 June 2015 and of Euro 46,000 as from 19 June 2015; attendance fee of Euro 3,000
(II) Remnueration as the Chairman of the Board of Statutory Auditors of KME Italy SpA

Francesca Marchetti: (I) Fixed annual remuneration of Euro 35,000 up to 19 June 2015 and of Euro 31,000 as from 19 June 2015
(II) Remuneration as Standing Auditor of ErgyCapital SpA

Alberto Villani: (I) Fixed annual remuneration of Euro 35,000 up to 19 June 2015 and of Euro 31,000 as from 19 June 2015
(II) Remuneration of Euro 6,500 as the Chairman of the Board of Statutory Auditors of FEB - Ernesto Breda SpA and of Euro 10,000 as the Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA

INTEK GROUP

Separate financial statements at 31 December 2015

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

Intek Group – Separate financial statements at 31 December 2015

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31-Dec-2015*	*of which related parties*	*31-Dec-2014*	*of which related parties*
Investments in equity interests and fund units	*4.1*	439,672,240	*432,270,512*	424,049,713	*416,299,007*
Instrumental equity investments	*4.2*	89,922,033	*89,922,033*	97,400,433	*97,400,433*
Non-current financial assets	*4.3*	710,733	*710,733*	2,795,533	*2,123,155*
Property, plant and equipment	*4.4*	468,031	-	381,313	-
Investment property	*4.5*	32,289	-	257,289	-
Goodwill	*4.6*	798,453	-	1,000,000	-
Intangible assets	*4.7*	3,329	-	2,955	-
Other non-current assets	*4.8*	17,924	-	17,924	-
Deferred tax assets	*4.23*	6,211,419	-	7,846,976	-
Total non-current assets		**537,836,451**		**533,752,136**	
Current loan assets	*4.9*	44,098,602	*40,408,403*	11,038,150	*11,027,511*
Trade receivables	*4.10*	10,008,592	*2,582,045*	9,207,134	*1,412,245*
Other current receivables and assets	*4.11*	9,576,888	*1,562,331*	10,431,271	*1,603,406*
Cash and cash equivalents	*4.12*	7,784,944	-	736,160	-
Total current assets		**71,469,026**		**31,412,715**	
Non-current assets held for sale	*4.13*	**941,250**		**716,250**	
Total assets		**610,246,727**		**565,881,101**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2015

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31-Dec-2015*	*of which related parties*	*31-Dec-2014*	*of which related parties*
Share capital		314,225,010	-	314,225,010	-
Other reserves		35,135,075	-	26,201,736	-
Treasury shares		(2,456,254)	-	(2,183,223)	-
Retained earnings		72,187,807	-	72,187,807	-
Stock options reserve		2,051,902	-	2,032,886	-
Convertible loan		24,000,000	-	24,000,000	-
Profit for the year		4,040,633	-	10,945,322	-
Total equity	*4.14*	**449,184,173**		**447,409,538**	
Employee benefits	*4.15*	317,961	-	368,879	-
Deferred tax liabilities	*4.23*	1,959,395	-	1,727,027	-
Non-current loans and borrowings	*4.16*	8,948	-	1,689,714	-
Bonds and debt securities	*4.17*	100,789,449	-	59,990,194	-
Other non-current liabilities	*4.18*	937,700	-	937,700	-
Provisions for risks and charges	*4.19*	4,964,009	-	6,100,984	-
Total non-current liabilities		**108,977,462**		**70,814,498**	
Current loans and borrowings	*4.20*	47,580,468	*40,939,093*	42,006,887	*36,136,589*
Trade payables	*4.21*	1,345,259	*373,929*	864,781	*138,048*
Other current liabilities	*4.22*	3,159,365	*1,086,426*	4,785,397	*2,395,518*
Total current liabilities		**52,085,092**		**47,657,065**	
Total liabilities and equity		**610,246,727**		**565,881,101**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2015

Statement of profit or loss and other comprehensive income

(in Euro)	*Ref. Note*	*2015*	*of which related parties*	*2014*	*of which related parties*
Net income from investment management	*6.1*	13,486,798	*13,419,444*	25,085,034	*25,290,886*
Commissions on guarantees given	*6.2*	3,254,220	*3,254,220*	4,720,851	*4,720,851*
Other income	*6.3*	691,327	*141,741*	857,220	*129,180*
Personnel expenses	*6.4*	(1,844,061)	*(300,456)*	(2,731,084)	*(362,497)*
Amortisation, depreciation and impairment losses	*6.5*	(269,291)	-	(184,424)	-
Other operating costs	*6.6*	(4,936,759)	*(1,712,028)*	(7,891,811)	*(1,567,296)*
Operating profit		**10,382,234**		**19,855,786**	
Financial income	*6.7*	795,497	*760,050*	451,435	*421,731*
Financial expense	*6.7*	(6,355,550)	*(903,597)*	(10,683,495)	*(666,949)*
Net financial expense		*(5,560,053)*		*(10,232,060)*	
Profit before taxes		**4,822,181**		**9,623,726**	
Current taxes	*6.8*	1,042,289	-	1,583,942	-
Deferred taxes	*6.8*	(1,823,837)	-	(262,346)	-
Total income taxes		**(781,548)**		**1,321,596**	
Profit from continuing operations		**4,040,633**		**10,945,322**	
Profit /(loss) from discontinued operations		-		-	
Profit for the year		**4,040,633**		**10,945,322**	
Other comprehensive income					
Employee defined benefit plans		19,233		*(24,160)*	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		19,233		(24,160)	
Items that will be reclassified to profit or loss		-		-	
Other comprehensive income		19,233		(24,160)	
Total comprehensive income for the year		**4,059,866**		**10,921,162**	

The notes are an integral part of these financial statements.

The information on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2015

Statement of changes in net equity at 31 December 2014

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Stock options reserve*	*Convertible loan*	*Profitfor the year*	*Total equity*
Net equity at 31 December 2013	**314,225**	**26,439**	**(2,543)**	**72,188**	**1,982**	**24,000**	**(158)**	**436,133**
Coverage of losses carried forward from previous year	-	(158)	-	-	-	-	158	-
Sale of treasury shares	-	10	360	-	-	-	-	370
Expiry of stock options	-	-	-	-	51	-	-	51
Deferred tax assets recognised in equity	-	(65)	-	-	-	-	-	(65)
Actuarial losses on pension funds	-	(24)	-	-	-	-	-	(24)
Total comprehensive income items	-	(24)	-	-	-	-	-	(24)
Profit for the year	-	-	-	-	-	-	10,945	10,945
Total comprehensive income	-	(24)	-	-	-	-	10,945	10,921
Net equity at 31 December 2014	**314,225**	**26,202**	**(2,183)**	**72,188**	**2,033**	**24,000**	**10,945**	**447,410**
Reclassification of treasury shares	(2,183)	-	2,183	-	-	-	-	-
Net equity at 31 December 2014	**312,042**	**26,202**	**-**	**72,188**	**2,033**	**24,000**	**10,945**	**447,410**

At 31 December 2014 Intek Group directly held 978,543 savings shares and 5,095,746 ordinary shares without nominalamount. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently totally reclassified as a reduction of the share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2015

Statement of changes in net equity at 31 December 2015

Statement of changes in net equity at 31 December 2015								
(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Stock options reserve*	*Convertible loan*	*Profit for the year*	*Total equity*
Net equity at 31 December 2014	**314,225**	**26,202**	**(2,183)**	**72,188**	**2,033**	**24,000**	**10,945**	**447,410**
Allocation of profit for the year	-	10,945	-	-	-	-	(10,945)	-
Purchase of treasury shares	-	-	(2,260)	-	-	-	-	(2,260)
Grant assignment of savings shares		(1,987)	1,987					
Expiry of stock options	-	-	-	-	19	-	-	19
Deferred tax assets recognised in equity	-	(45)	-	-	-	-	-	(45)
Actuarial gains (losses) on pension funds	-	19	-	-	-	-	-	19
Total comprehensive income items	-	19	-	-	-	-	-	19
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	-	4,041	4,041
Total comprehensive income	-	19	-	-	-	-	4,041	4,060
Net equity at 31 December 2015	**314,225**	**35,134**	**(2,456)**	**72,188**	**2,052**	**24,000**	**4,041**	**449,184**
Reclassification of treasury shares	(2,456)	-	2,456	-	-	-	-	-
Net equity at 31 December 2015	**311,769**	**35,134**	**-**	**72,188**	**2,052**	**24,000**	**4,041**	**449,184**

At 31 December 2015 Intek Group directly held 11,801 savings shares and 7,719,940 ordinary shares without nominalamount. The shares were subsequently totally reclassified as a reduction of the share capital. The "Purchase of treasury shares" item also includes the value of the shares assigned by KME Partecipazioni as a dividend.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2015

Statement of cash flows - indirect method

(in thousands of Euro)		*2015*	*2014*
(A) Cash and cash equivalents at the beginning of the year		**736**	**930**
Profit before taxes		4,822	9,624
Amortisation of intangibles and depreciation of property,plant and equipment		67	89
Impairment losses on non-current, non-financial assets		202	95
Impairment losses (reversal of impairment losses) on current and non-current financial assets		2,950	(25,083)
Changes in provision for pensions, post-employment benefits and stock options		(13)	68
Changes in provisions for risks and charges		(245)	3,474
Increase in investments		(100)	(81)
(Increases) decreases in other financial investments		(2,602)	1,434
Increases (decreases) in loans and borrowings towards related companies		19,802	23,370
(Increases) decreases in loan assets from related companies		(32,652)	5,663
Dividends received		(16,425)	-
Decrease in current receivables		133	1,744
Decrease in current payables		(1,146)	(3,145)
Taxes paid during year		962	-
(B) Total Cash flows from (used in) operating activities		**(24,245)**	**17,252**
(Increase) in non-current tangible and intangible assets		(154)	(73)
Decrease in non-current intangible assets and property, plant and equipment		-	1
Increase/ decrease in instrumental equity investments		(10,022)	-
Increase/decrease in other non-current assets/liabilities		-	(194)
(C) Cash flows used in investment activities		**(10,176)**	**(266)**
(Purchase) sale of treasury shares		(835)	371
Bond issue and Early Redemption		39,751	-
Payment of interests on Bonds		(2,820)	-
Increase (decrease) in current and non-current loans and borrowings		5,374	(17,551)
(D) Cash flows from (used in) financing activities		**41,470**	**(17,180)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**7,049**	**(194)**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**7,785**	**736**

The notes are an integral part of these financial statements.

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

Intek Group – Separate financial statements at 31 December 2015

Notes

1. General information

Intek Group is a holding company with diverse interests, whose main objective consists in managing portfolio shareholdings and assets, with a dynamic entrepreneurial perspective focused on cash generation and the growth in the value of investments over time, even through sales functional to the new development strategies.

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

The separate financial statements at 31 December 2015 (the "Financial Statements) were approved by the Board of Directors on 29 April 2016 and will be published in accordance with legal requirements.

Although it is owned by Quattroduedue Holding BV, through the wholly-owned Quattroduedue S.p.A, Intek is not subject to the management and coordination pursuant to articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation 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 any other company under Quattroduedue's control;
- the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

2. Accounting policies

2.1. Assessment of Investment Entity status

Intek Group considers that it satisfies the characteristics set forth in paragraphs 27 and 28 of IFRS 10 regarding the qualification as an investment entity.

Paragraph 27 of IFRS 10 requires that the company:

a) obtain funds from one or more investors with the objective of providing its investors with investment management services;

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

The typical characteristics of investment entities as provided by paragraph 28 of IFRS 10 are the following:

a) it has more than one investment;

b) it has more than one investor;

c) it has investors that are not related parties of the entity; and

d) it has ownership interests in the form of equity or similar interests.

The separate financial statements at 31 December 2015 were therefore prepared in application of the accounting standards relative to investment entities, and therefore measurement of the fair value of the investments in non instrumental subsidiaries which are therefore no longer fully consolidated. These principles were applied at the end of the fourth quarter of 2014.

It is hereby specified that the activity carried out by the Company does not fall under the area of application of the regulations regarding collective asset management. To this end, we hereby specify that the accounting standards referring to investment entities that have been adopted do not constitute a significant element that would qualify Intek Group as an asset management company and therefore, for the purposes of the application of these regulations, registration of the Company in the register of investment companies is not required.

2.2. Basis of presentation

The separate financial statements as at and for the year ended 31 December 2015 conform to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 where applicable.

The separate financial statements are made up of the statement of financial position, the Statement of other comprehensive income, the Statement of cash flows, the Statement of changes in equity as well as of the notes. The accounting schedules and the notes to the financial statements include, besides the amounts relating to the reference period, also the corresponding comparative data of the financial statements at 31 December 2014. There were no changes to the structure of the schedules compared to previous presentations.

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

The Company has opted for presentation of a single statement of the comprehensive income in which the items of revenue and cost recognized during the reporting period are presented, including the financial expenses and the tax expenses. The elements which, upon the specific indication of the individual IFRS, are recognized separately from the profit (loss) of the current reporting year, are shown in the "Other comprehensive income". These elements are divided into two categories as follows:

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

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

In preparing the financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the separate financial statements at 31 December 2014, except for the standards effective as from 1 January 2015.

The accounting standards, amendments and interpretations applied for the first time by the company, which nevertheless had no significant effect on equity or the profit/loss for the year, are the following:

- *IFRIC 21 – Levies.* – IFRIC 21 Levies provides guidance on when to recognise a liability for levies accounted for in accordance with IAS 37, and accounting for liabilities relative to the payment of a levy, the timeframe and amount of which are uncertain. IFRIC 21 is applicable from financial periods that begin on 17 June 2014.
- *Amendments to IAS 19. – Employee Benefits.* On 21 November 2013, the IASB published an amendment to IAS 19 concerning defined benefit plans; employee contributions. The objective of the amendments is to simplify the accounting for contributions that are independent from the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment will be applicable from the years that begin subsequently to 1 July 2014.

- *Improvements relative to the 2010-2012 and 2011-2013 cycles.* On 12 December 2012, the IASB issued a group of amendments to IFRS. These amendments will be applicable from the years that begin subsequently to 1 July 2014.

The Company has not yet applied the accounting standards which are listed below in paragraph 2.19 and which, although already issued by the IASB, become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognized and presented with respect to their economic substance rather than legal form.

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

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

2.3. *Investments in equity interests and fund units*

This item includes equity investments, including controlling investments, held to obtain a return from the capital appreciation, the income from the investment or both. Units in investment funds are also included in this item.

These assets are measured at fair value through profit or loss.

Fair value measurement

The initial fair value is determined by means of a transaction price, and therefore it is equal to the consideration paid.

Subsequently, and at the end of each reporting year, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities.

The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions on the date of the financial statements. The measurement techniques used are the discounted cash flow method, the cost method and the equity method.

The measurement techniques based on the discounted cash flows generally require determination of an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and adoption of market parameters for the discounting: the rate or the discount margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

The equity method is based on the statement of financial position, adjusting the assets and liabilities based on their fair value.

2.4. *Instrumental equity investments*

All investments in subsidiaries, associates and joint ventures are measured at cost less any impairment losses.

Determination of impairment losses

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

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

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

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

Impairment losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss.

2.5. Other financial assets

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

2.6. Property, plant and equipment

Investments in operating assets

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

The property plant and equipment are valued at cost, and net of depreciation and impairment losses.

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.

Depreciation is charged based on the following useful lives:

Plant and equipment	from 10 to 40 years
Other assets	from 4 to 10 years

Assets under finance leases

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

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

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

Impairment losses

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

2.7. Investment property

This is land and buildings held to collect rents or to appreciate the invested capital or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight line basis.

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

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

Intangible assets are 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".

2.9. Cash and cash equivalents

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

2.10. Equity

Share capital consists of ordinary and savings shares withoutnominal amount, fully subscribed and paid up at the year-end, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes, whilst the historical cost of owned treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity transactions have been directly deducted from reserves.

2.11. Receivables and payables

Receivables and payables are recognized at amortised cost. When the difference between present and nominal amount is insignificant, such as for short-term trade receivables and payables, they are recognized at theirnominal amount.

2.12. *Current and deferred taxes*

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

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

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

2.13. *Employee benefits*

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as “defined contribution” or “defined benefit” plans. The Group’s liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due on the date of these financial statements. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in comprehensive income.

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

2.14. *Provisions for risks and charges*

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

- the company has a present (legal or costructive) obligation owing to a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the year. Where the difference between the present and future value of the provision is significant, the provision is discounted to the amount required to settle the obligation.

2.15. *Revenue recognition*

Revenue from services is recognised on the basis of the stage of completion of such work at the end of the year, including the guarantees given.

2.16. Financial income and expense

Financial income includes interest income from cash invested, exchange rate gains, dividends, guarantee fees received, gains on disposal of available-for-sale financial assets, increases in the fair value of assets held for trading and derivatives.

Financial expense includes loan interest expense, exchange rate losses, guarantee fees expense, losses on the disposal of available-for-sale financial assets and decreases in the fair value of assets held for trading including all derivatives.

2.17. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the shareholders. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.18. Stock Options

Personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board of directors and certain other group executives, consistently with the nature of remuneration paid.

The *fair value* of *stock options* has been determined by the option's value as determined by the *Black & Scholes* model, which takes into consideration the conditions relating to the exercising of the option, the current share value, and the exercise price, duration of the option, dividends, expected volatility and the risk free interest rate. The cost of stock options, distributed over the entire vesting period, is recognised together with a balancing entry in equity under "Stock options reserve". The *fair value* of options granted to Executives of Intek Group S.p.A.'s subsidiaries is recognised as an increase in the carrying amount of "equity investments" with the balancing entry posted to "Stock options reserve".

2.19. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months. The losses due to impairment from the initial classification or subsequent measurements are recognised in profit or loss in the year in which they occur.

2.20. Earnings/(losses) per share

Pursuant to IAS 33 para. 4 this kind of information is presented only for consolidated figures.

2.21. Use of estimates

The preparation of the separate financial statements and notes thereto in accordance with IFRS requires the Directors to make estimates and assumptions which influenced the amounts reported under assets and liabilities. The estimates were mainly used to determine: the *fair value* of investments in equity investments, funds, and investments in property, 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 indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At the reporting date, 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 the carrying amounts of assets and liabilities.

2.22. *Accounting standards not yet applied*

At 31 December 2015, 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.* On 12 November 2009, the IASB published the standard in question which was repeatedly amended prior to 28 October 2010, in a subsequent intervention in mid-December 2011 and finally on 24 July 2014. The standard, applicable from 1 January 2018, represents the first part of a process in phases which aims to replace IAS 39 and introduce new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets from thestatement of financial position. In particular, for financial assets the new standard uses a single approach based on the procedures for the management of the financial instruments and contractual cash flow characteristics of the financial assets in order to determine the measurement criterion, replacing the various rules set forth in IAS 39. For financial liabilities, the main amendment that took place refers to the accounting treatment of the changes in the fair value of a financial liability designated as a financial liability measured at fair valuethrough profit or loss, in the event these should be due to the changes in the credit rating of the liabilities themselves. According to the new standard, these changes must be recognized in the statement of comprehensive income and should not go through profit or loss.
- *IFRS 14 - Regulatory Deferral Accounts*. On 30 January 2014, the IASB published IFRS 14, relative to the Rate-regulated activities project. IFRS 14 allows only entities adopting IFRS for the first time to continue to recognise amounts relative to rate regulation according to the previous accounting standards adopted. In order to improve comparison with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation be presently separately from other items.
- IFRS 15 – *Revenue from Contracts with Customers*. On 28 May 2014, the IASB and the FASB jointly issued standard IFRS 15, the purpose of which is to improve the representation of revenue and the global comparability of financial statements with the objective of rendering accounting of economically similar transactions uniform. This standard is applicable to IFRS users for years beginning after 1 January 2018 (early application is allowed).
- *IFRS 16 "Leases"*. Replaces IAS 17 – Leasing and the interpretations, IFRIC 4 –Determining whether an Arrangement Contains a Lease, SIC 25 -Income Taxes. Changes in the taxation status of an entity or its shareholders and SIC 27 –Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 eliminates the distinction between an operating lease and a financial lease from the tenant's point of view; leases are instead treated in an unequivocal manner similar to the previous IAS 17. In particular leases are recognized in statement of financial position assets as the right to use an asset against a financial liability. Partial exemptions to this rule are allowed only for short-term leases (less than 12 months) or for leases referring to assets of a minor amount (for example a personal computer). The standard is applicable for the years that begin after 1 January 2019. *Amendment to IAS 16 and 38 Property, Plant and Equipment* and *Intangible Assets.* On 12 May 2014, the IASB published an amendment to the standards specifying that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The adoption of this standard is not expected to produce effects on the Group's financial statements.
- *Amendments to IFRS 11 – Joint Arrangements.* On 6 May 2014, the IASB published an amendment to the standard which adds new guidelines to the accounting for acquisition of an interest in a joint operation when the operation constitutes a business.
- *Amendment to IAS 27 – Separate financial statements:* On 12 August 2014, the IASB published an amendment to the standard which will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- On 7 September 2014, the IASB issued a group of amendments to the IFRS a ("Improvements to IFRS 2012-2013 cycle and 2013-2014 cycle"). These amendments will be applicable from 1 January 2016. Early application is allowed.
- *Amendment to IFRS 10, IFRS 12 e IAS 28* – InvestmentEntities: exceptions to the consolidation method. IASB has issued a series of amendments which mainly refer to:

  IFRS 10 Consolidated Financial statements – The amendments to the IFRS clarified that the exemption from presenting consolidated financial statements applies to a parent which is in turn controlled by an investmententity, when the investment entity measures all its subsidiaries at fair value.

  IAS 28 Investments in Associates - The amendment to IAS 28 allows a company that is not an investment entity but which has an equity investment in an investment entity which is measured using the equity method, to maintain for this measurement, the fair value applied by the investment entity with reference to its own interests in subsidiaries.

  IFRS 12 Disclosure of Interests in Other Entities – The amendment to IFRS 12 clarifies this standard does not apply to investment entities that draft their own financial statements, measuring all subsidiaries at fair value through profit and loss.

  These amendments are applicable retroactively from the years beginning 1 January 2016 or later. Earlier application is allowed.
- *Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.* The amendment issued by the IASB in September 2014 outlines the amendments that aim to rectify an incongruence insofar as the sale or contribution of assets between an investor and its subsidiary or joint venture. The main consequence of the amendments is that a profit or loss is recognized in full when the transaction involves a business. The aforementioned amendments would be applicable prospectively to the financial statements for years that begin on (or after) 1 January 2016, but, in January 2015, the IASB itself decided to postpone the effective date as inconsistencies were identified in certain paragraphs of IAS 28. Following the decision made by the IASB, the European Union therefore blocked the endorsement process while awaiting publication of the new document with the new effective date.

Amendment to IAS 1 – Disclosure Initiative. In December 2014, the IASB issued a series of amendments to the disclosure to be presented in the financial statements and the schedules contained therein. These amendments are applicable from the years beginning 1 January 2016 or later. Earlier application is allowed. The Group will adopt these new standards, amendments and interpretations, on their application dates and it will assess their potential impact as soon as the European Union proceeds with their endorsement.

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

3. ***Financial risk management***

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

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

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

Types of risk:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, capitalisation and/or financial information;

b) liquidity risk: it can arise from the inability to raise financing for operating activities as and when required. All inflows and outflows and cash balances of Group companies are centrally monitored. The Company intends to meet its cash requirements for the repayment of non-current loans and borrowings and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank loans and borrowings.

c) currency risk: the Company is exposed to the risk that the fair value of the investments outside of the Euro area will fluctuate in relation to the changes in the exchange rate, since the main equity investment of the company operates in an international context;

d) interest rate risk: the interest rate risk which the Company is exposed to originates mainly from the non-current loans and borrowings. Floating rate payables expose the Company to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value;

e) risk of fluctuation of the share value: the Company is exposed to market fluctuations insofar as listed shares that it holds in its portfolio and the changes in the market parameters used for determination of the value of equity investments, through valuation techniques. The risk of fluctuations in the values of these equity interests, recognized under " investments in equity interests and fund units" is not actively managed using hedging instruments.

4. *Notes to the separate financial statements*

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Investments in subsidiaries	432,271	416,300	15,971
Investment funds units	7,389	7,738	(349)
Other investments	12	12	-
Investments in equity interests and fund units	**439,672**	**424,050**	**15,622**

The breakdown of the item was as follows:

Name	*Registered office*	*Share/ Quota capital*	*Percentage of interest*	*Cost*	*Fair value 31/12/2015*	*Fair value 31/12/2014*	*Difference*
Subsidiaries							
KME AG	Osnabruck (D)	142,744	100.00%	380,126	409,989	391,615	18,374
KME Beteiligungsgesellsch.mbH	Osnabruck (D)	1,043	100.00%	1,000	1,000	1,000	-
FEB - Ernesto Breda SpA	Milan	578	86.55%	2,376	18,500	15,335	3,165
Intek Investimenti Srl	Milan	10	100.00%	20	20	20	-
Inteservice Srl in liq.	Naples	90	100.00%	-	-	-	-
Malpaso Srl	Milan	10	100.00%	130	(3,148)	30	(3,178)
Progetto Ryan 2 Srl in liq.	Milan	440	88.00%	400	400	400	-
Rede Immobiliare Srl	Milan	90	48.98%	7,900	5,510	7,900	(2,390)
Total subsidiaries				**391,952**	**432,271**	**416,300**	**15,971**
Other investments				12	**12**	**12**	-
Total equity investments					**432,283**	**416,312**	**15,971**
I2 Capital Partners Fund					7,344	7,704	(360)
Value Secondary Investment SICAR					45	34	11
Total Fund Units					**7,389**	**7,738**	**(349)**
Investments in equity interests and fund units					**439,672**	**424,050**	**15,622**

The fair value of the equity investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC, also net of taxes) of 8.54%, plus an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded.

The UDCF method was carried out on the basis of economic forecasts and changes in some statement of financial position items contained in the 2016-2020 Plan ("the Plan") approved by the KME AG Board of Directors.

Compared to those used previously, the Plan is characterized by a review downward of the future flows also in light of the results reached during 2015. Following are the basic assumptions of the Plan:

- progressive recovery of the sales volumes of approximately 1.8% annually (the increase in demand of copper at the global level (CAGR 2015-2018 is 3.4%) up to levels reflected the quantity sold in 2011 are expected to be reached in 2018;
- increase in the added value (CAGR of approximately 3.3%) connected to the assumed stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators;

- significant recovery in EBITDA (gross operating profit/loss) mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- inflation is assumed at 2% per annum for 2017 and 2018, and 3% for 2019-2020;
- investments are essentially stable at an average of 4.5% of net invested capital.

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

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved.

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year European swap rate at 31 December 2015 plus a 2.5% spread;
- Beta unlevered: average of beta factors of a sample of comparable listed companies;
- additional *Alpha* premium on the cost of own capital equal to 4%.

It should be noted that in 2014 the cash flows were discounted using a WACC discount rate of 8.31% (plus an additional premium of 1.5%), net of taxes. This rate took into account an average risk free rate of about 2.5%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2015 test was furthermore subjected to a sensitivity analysis using a WACC from 7.54% to 9.54% and a growth rate "G" from zero to 2% and two alternative scenarios for the determination of the terminal value calculating assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2020). In both scenarios a discount rate representative of the average cost of capital (WACC) of 8.54% was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk inherent in the forecasts taking into account the historical deviations that have been recorded.

The fair value fluctuates from a minimum of Euro 404.2 million to a maximum of Euro 418.1 million and the directors considered it reasonable to use a value close to the average value of Euro 410.0 million.

It is hereby noted that Intek Group has stood guarantee for a KME AG credit line expiring in June and July 2016 in regard to which KME AG has initiated negotiations for renewal of the respective contracts, as described in section 5 *Commitments and Guarantees*.

Regarding the equity interest in FEB - Ernesto Breda, again with the assistance of an external consultant, the restated equity was estimated based on the equity of the company's controlled by FEB-Ernesto Breda and the capital gains implicit in the other assets and liabilities. The fair value fluctuates from a minimum of Euro 17.9 million to a maximum of Euro 18.8 million and in this case as well, the Directors decided to use a value of Euro 18.5 million that falls within this interval.

For other investments reference has been made mainly to the equity value of the investments by adjusting it on the basis of the current values of the related assets.

During the year, the liquidation of the investee Idra International SA was officially concluded, while for Interservice Srl the cancellation from the company register was requested in the initial months of 2016.

The stakes in "*Investment funds*" relate entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The carrying amount of the shares as at 31 December 2015 is equal to Euro 7,344 thousand, down by Euro 360 thousand compared to 31 December 2014. The reduction is due to the Euro 680 thousand of refunds received and is net of the payments made of Euro 304 thousand and the positive effects of the valuation of Euro 16 thousand. The fair value has been calculated based on the fair value communicated by the management company to the investors of the individual fund investments net of other financial assets and liabilities.

4.2. Instrumental equity investments

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

Name	*Registered office*	*Percentage of interest*	*Carrying amount 31/12/2015*	*Carrying amount 31/12/2014*	*Difference*
KME Partecipazioni SpA	Florence	100.00%	65,000	81,500	(16,500)
I2 Capital Partners SGR SpA	Milan	100.00%	2,500	2,500	-
Immobiliare Pictea Srl	Milan	100.00%	10,022	-	10,022
I2 Real Estate Srl	Ivrea (TO)	100.00%	12,400	13,400	(1,000)
Total Instrumental equity investments			**89,922**	**97,400**	**(7,478)**

The movements of the "*Instrumental equity investments*" item during 2015 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	121,472	-	121,472
Impairment losses	(24,072)	-	(24,072)
Balance at 31 December 2014	**97,400**	**-**	**97,400**
Increases	10,022	-	10,022
Reversals of impairment losses	-	-	-
Impairment losses	(17,500)	-	(17,500)
Change of the year	**(7,478)**	**-**	**(7,478)**
Historical cost	131,494	-	131,494
Impairment losses	(41,572)	-	(41,572)
Balance at 31 December 2015	**89,922**	**-**	**89,922**

The increases during the year of Euro 10,022 thousand are due to the purchase of the equity investment in Immobiliare Pictea S.r.l., the owner of the building located in Milan, Foro Buonaparte, 44, where the company maintains its registered office and those of certain of its subsidiaries.

For the purpose of the measuring equity investments, the carrying amount of their equity was adjusted, in the case of Immobiliare Pictea and KME Partecipazioni, to consider the intrinsic capital gains:

- for Immobiliare Pictea at the current value of the properties;
- for KME Partecipazioni at the net value of the direct equity investment in Culti Milano (Euro 2,887 thousand) and at the current value of the investment funds (Euro 1,026 thousand). Based on these elements, the restated equity corresponds to the carrying amount of the equity investment, which had previously been adjusted by Euro 16,500 thousand due to the distribution of the dividends that took place in 2015.

The impairment losses during the year under review are equal to Euro 17,500 thousand. They include, in addition to the impairment loss referring to KME Partecipazioni, an adjustment of Euro 1,000 thousand in I2 Real Estate Srl for the losses incurred during 2015 which resulted from the impairment losses on the properties and the results of operations of the investee Tecno Servizi Srl.

4.3. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other receivables from related companies	711	449	262
Guarantee fees receivable	-	1,675	(1,675)
Bank term deposits	-	672	(672)
Non-current financial assets	**711**	**2,796**	**(2,085)**

The *"Other receivables from related companies"* refer to receivables from Progetto Ryan 3 Srl in liquidation (Euro 536 thousand) and Newcocot (Euro 175 thousand). During the year, following the winding up of the investee, the loan to Idra International was extinguished (Euro 274 thousand at 31 December 2014). The loan to Progetto Ryan 3 Srl in liquidation, which was partially waived in the amount of Euro 900 thousand in 2015, was classified as non-current this year based on the expected closing times of the liquidation procedure.

"*Guarantee fees receivable*" were the present value of guarantee fees receivables due after 12 months, for guarantees issued by the Company to banks on behalf of the Group companies to which the loans were extended. These receivables are matched by payables of an equal amount. This item was set to zero due to the reclassification among current financial assets since the commissions referred to loans which, at 31 December 2015, expired within 12 months.

The "*bank term deposits*" have been set up to guarantee the sureties provided by credit institutions to the Company which have already been released at the date of this report and are therefore classified among current financial assets.

4.4. Property, plant and equipment:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Plant and equipment	-	-	-
Other assets	468	381	87
Property, plant and equipment	**468**	**381**	**87**

The changes during the reporting period under review and those of the previous reporting period can be summarized as follows:

(in thousands of Euro)		*Plant and equipment*	*Other assets*	*Total*
Cost				
Balance at 31 December 2013		170	1,807	1,977
Increases		-	71	71
Disposals		-	(49)	(49)
Balance at 31 December 2014		170	1,829	1,999
Increases		-	153	153
Disposals		-	(2)	(2)
Balance at 31 December 2015		170	1,980	2,150
Accumulated depreciation				
Balance at 31 December 2013		170	1,408	1,578
Increases		-	88	88
Disposals			(48)	(48)
Balance at 31 December 2014		170	1,448	1,618
Increases		-	66	66
Disposals		-	(2)	(2)
Balance at 31 December 2015		170	1,512	1,682
Carrying amount				
	31-Dec-2013	-	399	399
	31-Dec-2014	-	381	381
	31-Dec-2015	**-**	**468**	**468**

The increases during the year referred to office furniture.

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

4.5. Investment property

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Investment property	**32**	**257**	**(225)**

The decrease of this item compared to last year is due to the reclassification of the property located in Torchiarolo (BR) among non-current assets held for sale. In March 2016 a preliminary sale contract was entered into for this property. The residual amount of Euro 32 thousand refers to a non buildable lot located in Castronno (VA).

4.6. Goodwill

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Goodwill	**798**	**1,000**	**(202)**

The reduction is connected to impairment losses made for realisation of part of the contingent assets the goodwill refers to.

Goodwill relates to the taking over of court-approved arrangements with creditors in bankruptcies made by two companies merged by Intek during 2008, originally for Euro 5,000 thousand for each company. Impairment testing is carried out at least annually on drawing up the financial statements. The impairment losses on goodwill of Euro 4,000 thousand, recognized over past years by Intek were the result of the reduction in the future cash flows anticipated for the realization of certain contingent assets.

4.7. Intangible assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other	3	3	-
Intangible assets	**3**	**3**	**-**

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

The movements relative to the year under review and the previous year are shown below:

(in thousands of Euro)		*Total*
Cost		
Balance at 31 December 2013		4
Increases		2
Balance at 31 December 2014		6
Increases		1
Balance at 31 December 2015		7
Accumulated amortisation		
Balance at 31 December 2013		2
Increases		1
Balance at 31 December 2014		3
Increases		1
Balance at 31 December 2015		4
Carrying amount		
	31-Dec-2013	2
	31-Dec-2014	3
	31-Dec-2015	**3**

4.8. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other receivables	18	18	-
Other non-current assets	**18**	**18**	**-**

These are items relative to receivables from companies in liquidation and guarantee deposits.

4.9. Current loan assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Loans to related parties	38,148	7,135	31,013
Guarantee fees receivable	2,260	3,892	(1,632)
Investments in securities	3,008	-	3,008
Other	683	11	672
Current loan assets	**44,099**	**11,038**	**33,061**

"*Loans to related parties*" include:

- Euro 29,700 thousand which is the balance of the current accounts held with the subsidiary KME AG for a temporary liquidity investment;
- Euro 6,447 thousand which is the balance in the current account held with the subsidiary I2 Real Estate;
- Euro 1,514 thousand which is the balance of loans to the subsidiary Quattroduedue S.p.A.;
- Euro 196 thousand which is the balance of the current accounts held with the subsidiary Rede Immobiliare Srl;
- Euro 291 thousand which is the balance in the current accounts held with the subsidiary KME Yorkshire Ltd.

"*Guarantee fees receivable*" are the present value of fees that are receivable within 12 months for guarantees issued by the Intek Group S.p.A. to banks on behalf of the Group companies to which loans were granted. These receivables are matched by payables of an equal amount. The carrying amount of receivables determined in that manner is believed to approximate fair value.

The "*investments in securities"* refer to harmonised UCIs (investment funds), in which a portion of the Company's liquidity is invested while awaiting other investment opportunities.

The "*Other*" item includes Euro 672 thousand of blocked bank deposits which had previously been classified under non current financial assets.

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

4.10. Trade receivables

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due from customers – gross amount	*940*	*936*	*4*
Allowance for impairment	*(933)*	*(933)*	*-*
Due from customers – net amount	7	3	4
From leasing and factoring activities	7,420	7,792	(372)
Due from associates	2,582	1,412	1,170
Trade receivables	**10,009**	**9,207**	**802**

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

The change is mainly due to the collections during theyear.

"*Receivables due from related parties"* refer to fees for loans already invoiced or administrative services provided.

The carrying amount of trade receivables approximates their fair value.

4.11. Other current receivables and assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Tax assets	4,528	5,309	(781)
Receivables due from special situations	3,333	3,332	1
Prepayments and accrued income	27	70	(43)
Receivables due from related parties	1,562	1,482	80
Other	127	238	(111)
Other current receivables and assets	**9,577**	**10,431**	**(854)**

"*Tax assets*" include receivables for direct taxes of Euro 3,424 thousand (of which Euro 2,500 thousand has been requested for refund) and receivables for VAT for Euro 1,103 thousand.

"*Receivables due from special situations*" item is entirely relating to the receivables arising from insolvency proceedings of Euro 3,332 thousand and they are furthermore relative to positions from the previous year Ernesto Breda procedure guaranteeing the receivables for its subsidiaries in liquidation and shall be collected on the basis of the performance of the insolvency proceedings of these companies.

The "R*eceivables due from related parties"* at 31 December 2015 include Euro 1,554 thousand of positions arising as part of the tax consolidation. The items for 2014, equal to Euro 1,475 thousand, have been collected.

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.12. Cash and cash equivalents

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

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Bank and post office accounts	7,776	734	7,042
Cash on hand	9	2	7
Cash and cash equivalents	**7,785**	**736**	**7,049**

Please see the statement of cash flows for the cash flows used in the year.

4.13. Non-current assets held for sale

The item is relative to properties belonging to the former Fime lease transactions and has increased due to the reclassification of the property located in Torchiarolo (BR) for which a preliminary sales contract was entered into in March 2016, as already commented under note 4.5.

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Properties held for sale	941	716	225
Non-current assets held for sale	**941**	**716**	**225**

4.14. Equity

The number of subscribed shares is as follows:

	Ordinary shares	*Savings shares*	*Total*
Issued at 31 December 2015	**345,506,670**	**50,109,818**	**395,616,488**

The "*Share Capital*" at 31 December 2015 is Euro 314,225,009.80 subdivided into 345,506,670 ordinary shares (equal to 87.33%) and 50,109,818 savings shares (equal to 12.7%). The shares have no nominalamount. There were no changes during 2015 and 2014 .

In June 2015, as part of the dividend distributed on the profit for 2014, the subsidiary KME Partecipazioni assigned 2,512,024 savings shares to Intek Group. The Company thus held 3,490,567 savings shares, equal to 6.966% of that class of capital.

In July 2015, in execution of the resolution of the shareholders' meeting held on 19 June 2015, 3,478,766 saving shares were assigned free of charge to all Intek Group's shareholders holding both ordinary and savings shares as distribution of the available reserves via allocation of savings shares held by the company in a ratio of one savings share against every 111 ordinary shares and/or saving shares held. Following this allocation, 11,801 savings shares remain in the Company's portfolio.

In 2015, as part of the treasury share purchase programs, Intek Group purchased a total of 2,624,194 ordinary shares.

As a consequence of these transactions, at 31 December 2015, the Company held 7,719,940 ordinary treasury shares, or 2.23% of the ordinary share capital and 11,801 saving shares equal to 0.024% of that class of shares. The treasury shares held by the Company represented 1.95% of the total shares.

The breakdown of the item *Other Reserves* is broken down as follows:

(in Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Legal reserve	5,881,314	5,334,047	547,267
Deferred tax assets recognised in equity	44,089	88,177	(44,088)
Share premium reserve	35,652	35,652	-
Available reserve (extraordinary)	13,368,646	15,628,806	(2,260,160)
Reserve for treasury shares held	2,456,254	2,183,223	273,031
Unavailable reserve	11,033,890	635,835	10,398,055
Reserve taxable on distribution	3,484,481	3,484,481	-
Costs associated with a share capital increase	(399,111)	(399,111)	-
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on Employee benefits (TFR)	3,008	(16,226)	19,234
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**35,135,075**	**26,201,736**	**8,933,339**

The "*Legal reserve*" and the "*Unavailable reserve*", established pursuant to Legislative Decree 38/2005, have increased due to the allocation of the profit for 2014. Both reserves can be used to cover losses.

The "*Share premium reserve*" may, unchanged on the previous year, pursuant to art. 2431 of the Italian Civil Code, be distributed to Shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital.

The "*Available reserve*" has decreased by Euro 2,260 thousand due to the transfer to the "*Reserve for treasury shares held*" consequent to the purchases made during the year, including Euro 1,425 thousand of shares distributed by the subsidiary KME Partecipazioni as a dividend.

At the reporting date the "Stock option reserve" consisted of the reserve relating to the 2010/2015 Plan for a total of Euro 2,051,902 (of which Euro 2,032,886 relating to 2010/2014 and Euro 19,020 relating to 2015).

"*Retained earnings*" of Euro 72,188 thousand, unchanged on the previous year, are available for use.

"*Convertible loan*" refers to the Intek Group 2012/2017 Convertible loan consisting of 4,000 bonds and arising from the merger with Intek which it came under following the merger with Quattrotretre. The convertible bonds will automatically convert (conversion into shares) on their expiry date (i.e. 24 September 2017) into 28,452,150 Intek Group ordinary shares, without prejudice to the repayment option due to Intek Group. The Company will have the right to repay the convertible bonds on their expiry date in cash, informing bondholders of this within sixty working days prior to the expiry date (repayment option), subject to obtaining from the shareholders' meeting of the issuer of the convertible loan the authorisation pursuant to article 2364, para.1, no. 5) of the Italian Civil Code as approved with the vote in favour by the majority of the issuer's shareholders present at the shareholders' meeting, excluding the shareholder or shareholders who, including jointly, hold the majority stake, including the relative majority, provided that the stake is over 10%. Should the repayment option be exercised, Intek Group will pay bondholders on the expiry date an amount of Euro 8,001.00 for each convertible bond (repayment price), for a total of Euro 32,004,000.

The Intek Group 2012-2017 Convertible Loan has been recognised, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the Convertible Bonds instead of their (automatic) conversion into shares is remitted to the shareholders' meeting (by means of a resolution adopted with the majority required by the regulation for the Convertible Loan);
- the number of shares which the issuer of the Convertible Loan must assign to the holders of the Convertible Bonds on their expiry is preset and is not subject to change.

4.15. Employee benefits

This amount is determined based on the vested benefits at the end of the year, in compliance with the law, employment contracts and IAS 19.

(in thousands of Euro)	*31 Dec. 2014*	*Increases*	*Contributions to Funds*	*Decreases*	*31 Dec. 2015*
Clerical	210	32	(8)	(62)	172
Executives	107	37	(31)	-	113
IFRS Adjustments	52	-	-	(19)	33
Employee benefits	**369**	**69**	**(39)**	**(81)**	**318**

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used for the actuarial valuation of post-employment (TFR).

4.16. Non-current loans and borrowings

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Financial guarantees issued liability	-	1,675	(1,675)
Other	9	15	(6)
Non-current loans and borrowings	**9**	**1,690**	**(1,681)**

The item "*Financial guarantees issued liability*" represented the balancing entry of the item recorded under non-current financial assets having the same origin and it represented the fair value of the liabilities incurred against the guarantees issued, having assessed any risk situations and consequently the contingent liabilities, pursuant to the instructions set forth in IAS 37. Since the item referred in its entirety to guarantees issued for loans obtained by subsidiaries, it was considered that the current value of the commissions to be collected, recognized as part of current and non-current financial assets, represented the best estimate of fair value of the contingent liabilities in relation to the guarantees issued. The item was set to zero since these liabilities were classified as current, as they are referred to loans which as at 31 December 2015 expired within 12 months.

The item *"Other"* refers to payables on financial leases.

4.17. Bonds and debt securities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Intek Group 2015/2020 bonds	100,789	-	100,789
Intek Group 2012/2017 SFP	-	48,662	(48,662)
Intek Group 2012/2017 bonds	-	11,328	(11,328)
Bonds and debt securities	**100,789**	**59,990**	**40,799**

" *Intek Group 2012-2017 SFP*" and "*Intek Group 2012-2017 bonds*" relate to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue ofdebt securities). At 31 December 2014, there were 22,655,247 issued and outstanding Intek Group bonds with a nominal unit amount of Euro 0.50, while there were 115,863,263 Intek Group SFP, with a nominal amount of Euro 0.42 issued and in circulation. Both categories of securities had a duration of five years from 2012 to 2017 and fixed interest of 8%.

In December 2014 INTEK Group launched the issue of a new bond "Intek Group 2015-2020 bonds"with a duration from 2015 to 2020, and yield at a fixed rate of 5%. This security was offered in exchange to holders of outstanding securities and as an offer to subscribe. Upon completion of the transaction concluded in February 2015, the securities that were not used to participate in the exchange were redeemed early. The nominal amount of the issue is Euro 101,703,751.20 while the carrying amount was recorded net of the issue costs which were deferred along the duration of the security, so that a constant effective interest rate could be determined.

4.18. Other non-current liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other liabilities	938	938	-
Other non-current liabilities	**938**	**938**	**-**

These are debts which originated as part of court-approved agreements with creditors.

4.19. *Provisions for risks and charges*

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

(in thousands of Euro)	*31-Dec-2014*			*Increases*	*Releases/ uses*	*31 December 2015*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Legal risks provision	553	-	553	221	(366)	408	-	408
Provisions (for risks) for tax disputes	300	-	300	11	-	311	-	311
Provisions for risks on disposal of assets	4,094	-	4,094	-	-	4,094	-	4,094
Risk provisions for the exchange offer	892	-	892	-	(892)	-	-	-
Other provisions for risks and charges	262	-	262	-	(111)	151	-	151
Total	**6,101**	**-**	**6,101**	**232**	**(1,369)**	**4,964**	**-**	**4,964**

The "*Legal risks provision*" has decreased compared to 31 December 2014 due to the positive outcome of a Court of Appeals ruling which reduced the liability of the Company in relation to a dispute connected to the former Fime Lease transactions. The increase mainly refers to expenses allocated for the settlement of the disputes with shareholders made only in order to avoid additional costs connected to preceding with the court case, even if the company considers the arguments and claims made by the plaintiff to be completely unfounded.

The "*Provisions (for risks) for tax disputes*", in line with 31 December 2014, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring activity, was the damaged party. The provision made covers the whole risk of the dispute.

The "*Provisions for risks on disposal of assets*" which is unchanged compared to 31 December 2014, refers mainly to two allocations. The first, of Euro 1,337 thousand, is connected to commitments undertaken during the disposal phase of an equity investment and refers to a tax assessment. The second, of Euro 2,597 thousand, was established in 2014 following a negative ruling issued by the Naples Court of Appeals for a dispute initiated by the administrator in bankruptcy of a former leasing client.

The "*Risk provisions for the exchange offer*" was used as part of the public exchange offers.

"Other provisions for risks and charges" include accruals for disputes raised by former employees and decreased thanks to the positive outcome of some disputes.

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

4.20. Current loans and borrowings

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due to related parties	40,939	36,137	4,802
SFP/Bonds interest cost	4,375	1,972	2,403
Financial guarantees issued liability	2,260	3,892	(1,632)
Other liabilities	6	6	-
Current loans and borrowings	**47,580**	**42,007**	**5,573**

The item *"Due to related parties"* contains the balance of the corresponding current accounts, which are held at market rates with remuneration set at Euribor plus a spread, in existence with the following director indirect subsidiaries:

- Euro 17,177 thousand with KME Partecipazioni;
- Euro 14,829 thousand with FEB-Ernesto Breda;
- Euro 5,636 thousand with Immobiliare Pictea;
- Euro 1,987 with Breda Energia;
- Euro 1,310 thousand with I2 Capital Partners SGR.

"SFP/Bonds interest cost" relating to previous issues was paid in February and March of 2015 following the exchange offer for the early redemption of the securities that were not used as part of the exchange.

The liability recognized as at 31 December 2015 refers to new outstanding securities. The relative coupon was paid in February 2016.

"Financial guarantees issued liability" is the balancing entry of a non-current asset relating to the same guarantees; see note 4.9.

4.21. Trade payables

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due to suppliers	1,090	858	232
Due to subsidiaries and associates	255	7	248
Trade payables	**1,345**	**865**	**480**

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

4.22. Other current liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Payables to directors for end of office indemnity	710	1,742	(1,032)
Payables due to former lease customers	1,266	1,266	-
Payables due to employees	193	185	8
Tax liabilities	167	518	(351)
Payables due to related parties	300	309	(9)
Payables due to social security institutions	64	107	(43)
Other liabilities	459	658	(199)
Other current liabilities	**3,159**	**4,785**	**(1,626)**

"*Payables to directors for end of office indemnity*" refer to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question bears interest of 5%. The Chairman has agreed with the Company to set 31 December 2014 as the date by which payment is to be made, this date has been postponed to 31 December 2016.

"*Payables due to former lease customers*" relate to sums received by way of advances from customers and not offset with credit entries.

"*Payables due to employees*" refer to amounts due but not yet settled.

Both as at 31 December 2015 and 31 December 2014, the item "*Tax liabilities*" mainly refers to payables to the tax authorities, for withholdings.

Of the "*Payables due to related parties*" Euro 281 thousand (Euro 279 thousand at 31 December 2014) refers to charges by other group companies for personnel costs.

"Other payables" contain, among other things, the payables due to members of the corporate bodies for a total of Euro 76 thousand.

4.23. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Deferred tax assets	6,211	7,847	(1,636)
Deferred tax liabilities	(1,959)	(1,727)	(232)
Deferred tax assets and liabilities	**4,252**	**6,120**	**(1,868)**

Deferred tax assets and liabilities by asset and liability item are shown below:

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2015	*31 Dec. 2014*	*31 Dec. 2015*	*31 Dec. 2014*
Investment property	10	10	-	-
Investments in equity interests and fund units	-	-	632	336
Trade receivables	4,751	5,912	1,321	1,385
Other non-current payables	-	-	6	6
Provisions for risks and charges	911	980	-	-
Other current liabilities	107	469	-	-
Deferred tax assets on equity items	44	88	-	-
Deferred tax assets on tax losses carried forward	388	388	-	-
Total	**6,211**	**7,847**	**1,959**	**1,727**

Deferred tax liabilities are computed on temporary differences between carrying amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

The IRES rate was adjusted to 24% for the temporary differences that are expected to reverse later than 2016, to take into account the recent changes in the law. This adjustment resulted in a negative effect of Euro 528 thousand.

"*Deferred tax assets on tax losses carried forward*" are recognised only when their recovery is highly probable.

5. ***Commitments and guarantees***

Intek Group is the guarantor for KME AG and its main subsidiaries operating in the semi-finished copper and copper alloy products sector as follows:

- for Euro 475 million for a loan obtained from a pool of banks, expiring in June 2016;
- for Euro 355 million regarding the agreement concluded with GE Commercial Finance for *factoring without recourse* of transactions expiring in June 2016;
- Euro 42 million for a loan taken out with Unicredit Mediocredito Centrale, the residual amount of which is Euro 20.3 million. In this case as well, Intek Group remained on only as the guarantor of an amount equal to Euro 35 million;
- Euro 15 million for the restructuring plans of the German site that took place in 2015. This latter guarantee was closed in the amount of Euro 5 million at 31 December 2015, and the remainder was closed in March 2016.

At the beginning of 2016, KME AG began negotiations for renewal of the respective contracts that were expiring with the banking syndicate, GE Commercial Finance and Mediofactoring. To date, the banks have confirmed their willingness to renew without substantial changes to the credit lines in existence and the relevant credit authorisation process are in an advanced phase. The Directors reasonably expect that, under the current situation, there are no reasons to believe that approval by thebanking syndicate, GE Capital and Mediofactoring should not be granted by mid May 2016.

There are furthermore additional guarantees for non revolving credit lines connected to the copper sector of Euro 23 million, and guarantees for tax credits of approximately Euro 3.8 million expiring insofar as Euro 0.8 million in 2016 and Euro 2.7 million in 2017, and Euro 0.3 million expiring in 2018.

As part of the sale of the Cobra AT shares to Vodafone, Intek Group issued a guarantee to its subsidiary KME Partecipazioni S.p.A. for Euro 3.1 million in favour of Banca Popolare di Milano, which in turn issued a guaranty to Vodafone.

In November 2011, Intek Group issued a surety to secure a loan of Euro 2 million granted by Intesa SanPaolo for ErgyCapital SpA. At 31 December 2015, the amount granted was Euro 1.1 million.

I2 Real Estate S.r.l. was guaranteed a loan of Euro 3.5 million (original value on subscription, today the loan has been partially repaid and the residual amount is Euro 1.2 million), while for Tecno Servizi S.r.l. a guarantee was provided for a loan supplied by Mediocredito for an original amount of Euro 7.8 million (residual amount Euro 4.8 million). During the year, the loan granted to Malpaso S.r.l., for which a Euro 11.2 million surety was issued, was repaid.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5.0 million for the Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestre. This mortgage is also secured by other real guarantees.

Furthermore, the Company, as subscriber of a share of the I2 Capital Partners Fund, has a remaining commitment of Euro 2.2 million.

6. <u>*Notes to the statement of profit or loss (and other comprehensive income)*</u>

6.1. *Net income from investment management*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Reversals of impairment losses on equity investments and securities	-	8,500	(8,500)	-100.00%
Impairment losses on equity investments and securities	(17,500)	(1,844)	(15,656)	849.02%
Impairment losses on loan assets from related companies	(1,377)	(811)	(566)	69.79%
Fair value gains on equity investments	15,872	19,446	(3,574)	-18.38%
Fair value gains on fund units	55	(208)	263	-126.44%
Dividends	16,437	2	16,435	n/a
Net income from investment management	**13,487**	**25,085**	**(11,598)**	**-46.23%**

This item consists of the following amounts:

- dividends from KME Partecipazioni in the amount of Euro 16,425 thousand (Euro 15,000 thousand in cash and assignment of 2,512,024 Intek Group saving shares totaling Euro 1,425 thousand) and from Securities Issuers in the amount of 12 thousand;
- impairment losses of Euro 17,500 thousand of which Euro 16,500 thousand on KME Partecipazioni and Euro 1,000 thousand on I2 Real Estate;
- impairment losses on loan assets from related companies of Euro 900 thousand relative to Progetto Ryan 3;Euro 418 thousand to Idra International, Euro 30 thousand to Inteservice and Euro 29 thousand to Intek Investimenti;
- Fair value gains on equity investments positive by Euro 18,374 thousand on KME AG, Euro 3,165 thousand relative to FEB- Ernesto Breda SpA and fair value losses of Euro 5,667 thousand on Rede/Malpaso.

For further details please see the comments under the corresponding asset items.

6.2. *Commissions on guarantees given*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Commissions on guarantees given	3,254	4,721	(1,467)	-31.07%
Commissions on guarantees given	**3,254**	**4,721**	**(1,467)**	**-31.07%**

We refer to the remuneration of the guarantees provided for instrumental equity interests and investment instruments for securing loans.

6.3. *Other income*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Income from "special situations"	549	728	(179)	-24.59%
Provision of services to related companies	142	129	13	10.08%
Other income	**691**	**857**	**(166)**	**-19.37%**

"*Income from special situations"* refers to Intek's activities connected to undertaking of compositions with creditors.

The item "*Revenues from sales and services*" contains only the amounts invoiced for the administrative support to companies belonging to the group.

6.4. *Personnel expenses*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Wages and salaries	(1,014)	(1,776)	762	-42.91%
Social security charges	(272)	(388)	116	-29.90%
Stock option costs	(19)	(50)	31	-62.00%
Charge backs of personnel expenses	(282)	(312)	30	-9.62%
Other personnel expense	(257)	(205)	(52)	25.37%
Personnel expenses	**(1,844)**	**(2,731)**	**887**	**-32.48%**

The item "*Wages and salaries"* was influenced in 2014 by expenses amounting to Euro 600 thousand incurred for a settlement with a former employee.

Other personnel expense includes remuneration to consultants of Euro 111 thousand and the accrual to post-employment benefits of Euro 68 thousand.

Average number of employees:

	31 Dec. 2015	*31 Dec. 2014*	*Change*
Executives	3	3	-
Clerical	10	10	-
Average number of employees	**13**	**13**	**-**

At the end of the year, the stock option plan was closed ("Piano di Stock Option KME Group SpA 2010-2015") which provided for a maximum number of 31,000,000 options authorized by the Shareholders' Meeting, attributable up to 31 December 2015. Each option provides the right to subscribe to one ordinary share.

Two assignments had been made.

- the first in 2010 totalling 25,500,000 options which give beneficiaries the right to subscribe or purchase from the Company an equivalent number of Intek Group S.p.A. ordinary shares at the unit price of € 0.295 with a fair value per option of Euro 0.073;
- the second in 2012 for a further 3,500,000 stock options for a subscription value of Euro 0.326 per share, with a fair value for each share of Euro 0.060.

The evolution of the stock option plan is as follows:

No. of options	*31 Dec. 2015*	*31 Dec. 2014*
Options existing at 1 January	**29,000,000**	**29,000,000**
Options ended during the year	(29,000,000)	-
Existing options at end of the year	**-**	**29,000,000**
of which exercisable	-	*27,833,333*

6.5. *Amortisation, depreciation and impairment losses*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Depreciation	(66)	(88)	22	-25.00%
Amortisation	(1)	(1)	-	0.00%
Reversal of impairment losses on investment property	-	(95)	95	-100.00%
Impairment losses	(202)	-	(202)	n/a
Amortisation and impairment losses	**(269)**	**(184)**	**(85)**	**46.20%**

"*Impairment losses*" refer to the goodwill value adjustment. Please see the comment under note 4.6.

6.6. *Other operating costs*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,170)	(1,278)	108	-8.45%
Professional services	(2,146)	(2,694)	548	-20.34%
Travel costs	(238)	(201)	(37)	18.41%
Legal and company advertising	(270)	(112)	(158)	141.07%
Electricity, heating, postal and telephone costs	(58)	(51)	(7)	13.73%
Insurance premiums	(90)	(96)	6	-6.25%
Training and seminars	(3)	(1)	(2)	200.00%
Property leases	(561)	(415)	(146)	35.18%
Leases and rentals	(79)	(79)	-	0.00%
Various tax charges	(101)	(113)	12	-10.62%
Membership fees	(208)	(126)	(82)	65.08%
Other net costs	(206)	123	(329)	-267.48%
Donations	(42)	(238)	196	-82.35%
Bank fees	(10)	(14)	4	-28.57%
	(5,182)	*(5,295)*	*113*	*-2.13%*
Releases of provisions	478	-	478	n/a
Accruals to provisions for risks	(233)	(2,597)	2,364	-91.03%
Other operating costs	**(4,937)**	**(7,892)**	**2,955**	**-37.44%**

The item is influenced by corporate transactions of a non-recurring nature that were carried out in 2015.

In 2014 the amount of the "*Professional services"* was influenced by the legal costs relative to the recovery of the receivables of the former leasing and factoring activity.

For the item "*Release of provisions"* please see the comment relative to the item "*Provision for risks and charges*". The 2014 *"Accruals to provisions for risks"* was connected to a ruling, which was opposed to the company's interests, of the Naples Court of Appeals on a former lease dispute.

6.7. *Financial income and expense*

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Interest income from group companies	*760*	*421*	339	80.52%
Other Financial income and interests	*35*	*30*	5	16.67%
Total financial income	795	451	344	76.27%
Interest expense with group companies	*(904)*	*(612)*	(292)	47.71%
Interest expense on securities issued	*(5,378)*	*(7,194)*	1,816	-25.24%
Other interest paid	*(49)*	*(687)*	638	-92.87%
Other financial expense	*(25)*	*(2,190)*	2,165	-98.86%
Total financial expense	(6,356)	(10,683)	4,327	-40.50%
Net financial expense	**(5,561)**	**(10,232)**	**4,671**	**-45.65%**

"Financial income" mainly refers to interest accrued on intragroup accounts held at market interest rates.

"Interest expense on securities issued" include Euro 847 thousand which refers to the "SFP" and the " Intek Group 2012-2017 bonds" and Euro 4,531 thousand to Intek Group Bonds 2015-2020. In 2014, Euro 1,816 thousand of this item referred to the alignment of the carrying amount with the redemption value consequent to the exchange offer and early redemption of securities.

In 2014, "*Other interest paid"* was affected by interest on bank loans, while "*Other financial expenses*" included Euro 1,200 thousand which reflects the effects of the transaction for the closure of the options on the Cobra AT shares and Euro 892 thousand which reflects the accrual to the provision for risks for the premium paid to the participants in the public exchange offer.

6.8. Current and deferred taxes

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Current taxes	1,042	1,584	(542)	-34.22%
Deferred taxes	(1,824)	(262)	(1,562)	596.18%
Current and deferred taxes	**(782)**	**1,322**	**(2,104)**	**-159.15%**

The amount of the deferred taxes is influenced negatively by Euro 528 thousand on account of the change to the IRES rate that will be applicable from 2017.

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

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2015*	*2014*
Profit (loss) before taxes	4,823	9,624
Tax charge at theoretical rate	(1,326)	(2,647)
- Impairment losses on securities and investments that are non-deductible/non-taxable	(6,832)	1,608
- Fair value gains	5,923	5,012
- Other	2,631	(2,760)
- Previous year taxes	(650)	109
- Change in tax rates	(528)	-
Total effective tax charge	**(782)**	**1,322**

7. Other information

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Financial assets recognised at fair value through profit or loss	444,951	429,628	15,323
Loans and receivables	62,392	23,339	39,053
Investments in subsidiaries and other companies	89,922	97,400	(7,478)
Financial liabilities recognised at fair value through profit or loss	(2,260)	(5,567)	3,307
Financial liabilities at amortised cost	(151,393)	(104,190)	(47,203)
Financial instruments by category			

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statements items at 31 December 2015:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	439,672	-	439,672	
Instrumental equity investments	89,922	-	-	89,922
Other non-current assets	18	18	-	-
Non-current loan assets	711	711	-	-
Trade receivables	10,009	10,009	-	-
Other current receivables and assets	9,577	5,049	-	4,528
Current loan assets	44,099	38,820	5,279	-
Cash and cash equivalents	7,785	7,785	-	-
Total financial assets	**601,793**	**62,392**	**444,951**	**94,450**
Non-current loans and borrowings	(9)	(9)	-	-
Bonds and debt securities	(100,789)	(100,789)		-
Other non-current liabilities	(938)	(938)	-	-
Current loans and borrowings	(47,580)	(45,320)	(2,260)	-
Trade payables	(1,345)	(1,345)	-	-
Other current liabilities	(3,159)	(2,992)	-	(167)
Total financial liabilities	**(153,820)**	**(151,393)**	**(2,260)**	**(167)**

7.3. Exposure to credit risk and impairment losses

The carrying amount of financial assets represents the maximum exposure to credit risk of Intek Group S.p.A.

The risk of impairment is mainly connected to investments in instrumental equity interests of Euro 89.9 million.

The ageing of trade receivables from current transactions at the year end was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Impairment losses at 31 December 2015*	*Carrying amount*
Not yet due	2,589	-	2,589
Over 1 year past due	933	(933)	-
Trade receivables	**3,522**	**(933)**	**2,589**

There were no changes in the allowance for impairment of Euro 933 thousand.

7.4. Currency risk

Intek Group S.p.A. had no financial statements items or sale or purchase commitments denominated in foreign currencies at the year end.

7.5. Interest rate risk

The interest rate structure of interest-bearing financial instruments at 31 December 2015 was as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Financial assets	-	-
Financial liabilities	(100,789)	(59,990)
Fixed-rate instruments	**(100,789)**	**(59,990)**
Financial assets	38,148	7,807
Financial liabilities	(40,945)	(36,143)
Floating rate instruments	**(2,797)**	**(28,336)**

The fixed rate financial liabilities relate to debt instruments issued during the public exchange offers.

7.6. Exposure to the risk of fluctuations in share value

This risk is connected to the investments held in the portfolio of Euro 439 million.

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

A 50 basis point increase (decrease) in interest rate receivable or payable at the year end would have led to an insignificant impact on equity and the profit for the year.

7.8. Fair value and carrying amount

Pursuant to IFRS 13 para. 91 we declare that the carrying amounts of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

7.9. Fair value hierarchy

IFRS 7, para. 27A and IFRS 13 require financial instruments recognised at fair value in the statement of financial position to be classified with reference to a hierarchy of levels, based on the significance of the input used to determine fair value.

The standard stipulates three levels:

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

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

Level 3 – inputs not based on observable market data.

The analysis of the assets and liabilities by fair value level follows below:

(in thousands of Euro)	*Total fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	439,672	-	-	439,672
Current loan assets	5,279	3,008	-	2,271
Current loans and borrowings	(2,260)	-	-	(2,260)
Fair value levels				

The financial instruments recognized in the statement of financial position and statement of profit or loss at fair value, except for mutual funds included under "*Current financial assets*" are equity investments and investments in closed and restricted investment funds and guarantees issued that fall under level 3 assets. For determination of the fair value gains on equity investments and on funds units, please see the appropriate note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

There were no transfers in 2015 between Levels 1 and 2.

7.10. Other financial obligations

Below is a summary showing the minimum irrevocable payment obligations under operating leases at thereporting date:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Within 1 year	594	147
From 1 to 5 years	2,253	506
Due after 5 years	-	-
Minimum irrevocable payments	**2,847**	**653**

7.11. Disclosure of payments for services rendered by the Independent Auditors

In accordance with article 149 *duodecies* of the "Issuers Regulation", the following table shows the payments made during the year for services provided by the Independent Auditors, KPMG S.p.A. to the company and its subsidiaries:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	1,038	142	896
b) fees other than audit			
- attestation services relating to			
financial covenants, compliance opinions	41	-	41
- other fees	14	8	6
c) fees charged by network companies	-	-	-
Independent auditors' fees	**1,093**	**150**	**943**

7.12. Detail of transactions with related parties

The table below shows the relations involving payables, receivables, costs and revenue with related parties. Please see the comments under the individual items for information regarding the nature of the transaction.

(in thousands of Euro)	*Non-current loan assets*	*Current loan assets*	*Trade receivables*	*Other current receivables and assets*	*Current loans and borrowings*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in administrative compulsory liquidation	-	-	-	-	(1,987)	-	-
Culti Milano Srl	-	-	25	-	-	(1)	-
EM Moulds Srl	-	-	15	-	-	-	-
ErgyCapital SpA	-	-	187	-	-	-	-
FEB - Ernesto Breda SpA	-	-	-	-	(14,829)	-	-
I2 Capital Partners SGR SpA	-	-	-	-	(1,310)	-	(281)
I2 Real Estate Srl	-	6,447	-	-	-	(4)	-
Immobiliare agricola Limestre Srl	-	-	1	-	-	-	-
Immobiliare Pictea Srl	-		15	-	(5,636)	(250)	-
Inteservice Srl in liquidazione	-	-	18	-	-	-	-
KME AG	-	29,700	1,517	-	-	-	-
KME Brass Italy Srl	-	-	15	-	-	-	-
KME Germany Gmbh	-	-	190	-	-	-	-
KME Italy SpA	-	-	94	-	-	-	-
KME Partecipazioni SpA	-	-	-	-	(17,177)	-	-
KME Yorkshire Ltd	-	291	214	-	-	-	(8)
Malpaso Srl	-	-	-	-	-	-	(11)
New Cocot Srl in liquidation	175	-	-	-	-	-	-
Progetto Ryan 3 Srl in liquidation	536	-	51	-	-	-	-
Quattroduedue Holding B.V.	-	-	-	8	-	-	-
Quattroduedue SpA	-	1,514	55	-	-	-	-
Rede Immobiliare Srl	-	196	-	-	-	-	-
Società Agr. San Vito Biogas Srl	-	-	185	-	-	-	-
Directors' and Statutory Auditors' fees	-	-	-	-	-	(119)	(786)
Receivables from guarantees issued	-	2,260	-	-	-	-	-
Payables/Receivables for tax consolidation	-		-	1,554	-	-	-
	711	**40,408**	**2,582**	**1,562**	**(40,939)**	**(374)**	**(1,086)**
Total	**711**	**44,099**	**10,009**	**9,577**	**(47,580)**	**(1,345)**	**(3,159)**
Effect	**100.00%**	**91.63%**	**25.80%**	**16.31%**	**86.04%**	**27.81%**	**34.38%**

(in thousands of Euro)	*Net income from investment management*	*Commissions on guarantees given*	*Other operating revenue*	*Personnel expenses*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia SpA in administrative compulsory liquidation	-	8	15	-	-	-	(50)
Bredafin innovazione SpA in administrative compulsory liquidation	-	8	15	-	-	-	-
EM Moulds Srl	-	24	-	-	-	-	-
ErgyCapital SpA	-	14	-	-	-	-	-
FEB-Ernesto Breda SpA	3,165	9	25	-	-	-	(494)
I2 Capital Partners SGR SpA	-	-	57	(281)	-	-	(38)
I2 Real Estate Srl	(1,000)	-	-	-	(238)	114	-
Idra International SA	(418)	-	-	-	-	113	-
Immobiliare agricola Limestre Srl	-	1	-	-	-	-	-
Immobiliare Pictea Srl	-	-	15	-	(253)	-	(3)
Intek Investimenti Srl	(29)	-	-	-	-	1	-
Inteservice Srl in liquidation	(30)	-				-	
KME AG	18,374	2,924	-	-	-	452	-
KME Brass France Sas	-	(8)	-	-	-	-	-
KME Brass Germany Gmbh	-	(8)	-	-	-	-	-
KME Brass Italy Srl	-	13	-	-	-	-	-
KME France Sas	-	2			-	-	-
KME Germany & CO KG Gmbh	-	170	-	-	(22)	-	-
KME Italy SpA	-	75	-	-	(4)	-	-
KME Partecipazioni SpA	(75)	31	-	-	-	2	(319)
KME Spain SA	-	(7)	-	-	-	-	-
KME Srl	-	-	-	-	(25)	-	-
KME Yorkshire Ltd	-	(7)	-	-	-	9	-
Malpaso Srl	(3,278)	-	-	-	-	-	-
Progetto Ryan 3 Srl in liquidation	(900)	5	-	-	-	28	-
Quattroduedue Holding B.V.	-	-	-	-	-	-	-
Quattroduedue SpA	-	-	15	-	-	28	-
Rede Immobiliare Srl	(2,390)	-	-	-	-	13	-
Stock Options	-	-	-	(19)	-	-	-
Directors' and Statutory Auditors' fees	-	-	-		(1,170)	-	-
	13,419	**3,254**	**142**	**(300)**	**(1,712)**	**760**	**(904)**
Total	**13,487**	**3,254**	**691**	**(1,844)**	**(4,937)**	**795**	**(6,356)**
Effect	**99.50%**	**100.00%**	**20.55%**	**16.27%**	**34.68%**	**95.60%**	**14.22%**

Annexes to the notes:

Elenco delle partecipazioni al 31 dicembre 2015 e delle variazioni intervenute rispetto al 31 dicembre 2014

Partecipazioni (valori in Euro)	Note	Valore nominale	Esistenza al 31 dicembre 2014		Variazioni del periodo (+ / -)		Riprese/ (Rettifiche) di valore	Esistenza al 31 dicembre 2015				Valore di Borsa al 31 dicembre 2015		Differenza
		Euro	Quantità	Valore	Quantità	Valore		Quantità	%	Valore medio carico	Valore in bilancio	Valore unitario	Controvalore	
Società controllate e altre partecipazioni (iscritte tra le immobiliz. finanziarie)														
KME A.G.	(*)	senza valore nominale	27.918.276	391.614.500	-	-	18.374.000	27.918.276	100,00%		409.988.500			
KME Germany Beteiligungs Gmbh	(*)		-	1.000.000	-	-	-	-	100,00%		1.000.000			
FEB - Ernesto Breda SpA	(*)	senza valore nominale	2.318.655.938	15.334.500	5.232	15	3.165.485	2.318.661.170	86,55%		18.500.000			
Intek Investimenti Srl (già FEB Investimenti Srl)	(*)	10.000	-	20.000	-	-	-	-	100,00%		20.000			
Malpaso Srl	(*)	10.000	1	30.000	-	100.000	(3.278.532)	1	100,00%		(3.148.532)			
Rede Immobiliare Srl	(*)	49.100	1	7.900.000	-	-	(2.389.459)	1	48,98%		5.510.541			
Idra International SA	(*)	50.569.400	1	1	(1)	(1)	-	-	100,00%		-			
Intomalte SpA	(*)	516	200	1	-	-	-	200	20,00%		1			
Interservice Srl in liquidazione	(*)	90.000	1	1	-	-	-	1	100,00%		1			
Tecsinter Srl in liquidazione	(*)	100.000	-	-	(1)	(1)	-	(1)	100,00%		(1)			
Newcocot Srl in liquidazione	(*)	2.780	1	1	-	-	-	1	27,80%		1			
Progetto Ryan 2 Srl in liquidazione	(*)	387.200	1	400.000	-	-	-	1	88,00%		400.000			
KME Partecipazioni SpA		1	47.900.000	81.500.000	-	-	(16.500.000)	47.900.000	100,00%		65.000.000			
I2 Capital Partners SGR SpA		1	1.500.000	2.500.760	-	-	-	1.500.000	100,00%		2.500.760			
Immobiliare Pictea Srl		80.000	-	-	1	10.021.600	-	1	100,00%		10.021.600			
I2 Real Estate Srl		110.000	1	13.400.000	-	-	(1.000.327)	1	100,00%		12.399.673			
Totale				**513.699.764**		**10.121.613**	**(1.628.833)**				**522.192.544**			**-**
Azioni proprie (iscritte in riduzione del Patrimonio Netto)														
Intek Group S.p.A. azioni risparmio		senza valore nominale	978.543	569.427	(966.742)	(562.560)		11.801	-	0,5819	6.867	0,4810	5.676	1.191
Intek Group S.p.A. azioni ordinario		senza valore nominale	5.095.746	1.613.705	2.624.194	835.681		7.719.940	-	0,3173	2.449.386	0,3160	2.439.501	9.885
Totale				**2.183.132**		**273.121,00**	**-**				**2.456.253**			**11.076**
Totale				**515.882.896**			**(1.628.833)**				**524.648.797**			

(*): iscritte nella voce "Investimenti in partecipazioni e quote di fondi"

Elenco delle partecipazioni indirette al 31 dicembre 2015

Denominazione Sociale	Sede legale	Attività	Divisa	Capitale Sociale	% di Partecipazione	Società Partecipante	Partecipazione Totale
AMT - Advanced Mould Technology India Private Ltd.	India	Commerciale	INR	28.766.250	71,50%	KME Germany Gmbh & Co. K.G.	71,50%
Bertram's GmbH	Germania	Servizi	Euro	300.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Breda Energia SpA in LCA	Italia	non operativa	Euro	5.164.569	99,95%	Bredafin Innovazione SpA in LCA	100,00%
Breda Energia SpA in LCA					0,05%	FEB - Ernesto Breda SpA	
Bredafin Innovazione Spa in LCA	Italia	non operativa	Euro	104.841	100,00%	FEB - Ernesto Breda SpA	100,00%
bvba KME Benelux sprl	Belgio	Commerciale	Euro	62.000	84,70%	KME Germany Gmbh & Co. K.G.	100,00%
					15,30%	KME France S.A.S.	
Culti A.G. in liquidazione	Svizzera	Commerciale	CHF	100.000	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
Culti USA LLC	USA	Commerciale	$US	-	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
Culti Milano Srl	Italia	Accessori arredamento	Euro	10.000	65,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
					35,00%	KME Partecipazioni SpA	
Cuprum S.A.U.	Spagna	Servizi	Euro	60.910	100,00%	KME Spain S.A.U.	100,00%
Dalian Dashan Chrystallizer Co. Ltd.	Cina	Industriale	RMB	40.000.000	70,00%	KME A.G.	70,00%
Dalian Dashan Heavy Machinery Co. Ltd.	Cina	Industriale	RMB	20.000.000	70,00%	KME A.G.	70,00%
Dalian ETDZ Surface Machinery Co. Ltd.	Cina	Industriale	RMB	10.000.000	70,00%	KME A.G.	70,00%
E.Geo Srl	Italia	geotermia	Euro	100.000	92,00%	Ergycapital SpA	92,00%
Editoriale Fiorentina Srl	Italia	Editoriale	Euro	1.000.000	7,13%	KME Italy SpA	7,13%
EM Moulds Srl	Italia	Commerciale	Euro	115.000	100,00%	KME Italy SpA	100,00%
Energetica Solare Srl	Italia	O&M Fotovoltaico	Euro	116.945	100,00%	Ergycapital SpA	100,00%
Ergyca Bio Srl in liquidazione	Italia		Euro	100.000	100,00%	Ergycapital SpA	100,00%
Ergyca Eight Srl	Italia	fotovoltaico	Euro	119.000	100,00%	Ergycapital SpA	100,00%
Ergyca Four Srl	Italia	fotovoltaico	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca Green Srl	Italia	fotovoltaico	Euro	119.000	100,00%	Ergycapital SpA	100,00%
Ergyca Industrial Srl	Italia	fotovoltaico	Euro	100.000	100,00%	Ergycapital SpA	100,00%
Ergyca Light Srl	Italia	fotovoltaico	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca One Srl	Italia	fotovoltaico	Euro	100.000	100,00%	Ergycapital SpA	100,00%
ErgyCapital SpA (azioni ordinarie)	Italia	Servizi	Euro	26.410.666	49,04%	KME Partecipazioni SpA	49,04%
Ergyca Sole Srl	Italia	fotovoltaico	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca Sun Sicilia Srl in liquidazione	Italia		Euro	50.000	100,00%	Ergycapital SpA	100,00%
Ergyca Tracker Srl	Italia	fotovoltaico	Euro	1.000.000	51,00%	Ergycapital SpA	51,00%
Ergyca Tracker 2 Srl	Italia	fotovoltaico	Euro	10.000	100,00%	Ergy Tracker Srl	100,00%
Ergyca Two Srl in liquidazione	Italia		Euro	10.000	100,00%	Ergycapital SpA	100,00%
Europa Metalli - Tréfimétaux U.K. Ltd.	Gran Bretagna	non operativa	LST	500.000	100,00%	KME Yorkshire Ltd.	100,00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germania	non operativa	Euro	30.000	50,00%	KME A.G.	50,00%
Fossati Uno Srl	Italia		Euro		35,00%	I2 Real Estate Srl	35,00%
Fricke GmbH	Germania	Industriale	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
GreenRecycle Srl	Italia	Commercio metalli	Euro	500.000	100,00%	KME Recycle Srl	100,00%
HC Srl in liquidazione	Italia	non operativa	Euro	10.000	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
HG Power Srl in liquidazione	Italia		Euro	100.000	51,00%	Ergycapital SpA	51,00%
Il Post Srl	Italia	Servizi	Euro	207.550	18,80%	KME Partecipazioni SpA	18,80%
Immobiliare Agricola Limestre Srl	Italia	Immobiliare	Euro	110.000	100,00%	KME A.G.	100,00%
Irish Metal Industries Ltd.	Irlanda	Commerciale	Euro	127	100,00%	KME Yorkshire Ltd.	100,00%
kabelmetal Messing Beteiligungs GmbH, Osnabrück	Germania	Immobiliare	Euro	4.514.200	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KMD Connectors Stolberg GmbH	Germania	Industriale	Euro	1.000.000	50,00%	KMD (HK) Holdings Ltd.	100,00%
					50,00%	KME A.G.	
KMD (HK) Holding Limited	Cina	Holding	HKD	1.535.252.400	50,00%	KME A.G.	50,00%
KMD Precise Copper Strip Co. Ltd.	Cina	Industriale	USD	5.100.000	50,00%	KMD (HK) Holdings Ltd.	100,00%
					50,00%	KME A.G.	
KME – MAGMA Service Ukraine LLC	Ucraina	Commerciale	UAH	14.174.217	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Srl	Italia	Servizi	Euro	115.000	100,00%	KME A.G.	100,00%
KME (Suisse) S.A.	Svizzera	Commerciale	CHF	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Inc.	Stati Uniti	Commerciale	USD	5.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Holding Inc.	Stati Uniti	Holding	USD	2.600.000	61,54%	KME Germany Gmbh & Co. K.G.	100,00%
					38,46%	KME America Inc.	
KME America Marine Tube, LLC	Stati Uniti	Progettazione	USD	3.150.000	82,51%	KME America Marine Holding Inc.	82,51%
KME Asia Pte. Ltd. In liquidazione	Singapore	Commerciale	$SG	200.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass France S.A.S.	Francia	Industriale	Euro	7.800.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass Germany GmbH	Germania	Industriale	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass Italy Srl	Italia	Industriale	Euro	15.025.000	100,00%	KME Italy SpA	100,00%
KME Chile Lda.	Cile	Commercio metalli	PSC	9.000.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME France S.A.S.	Francia	Industriale	Euro	15.000.000	100,00%	KME A.G.	100,00%
KME Germany GmbH & Co. KG	Germania	Industriale	Euro	180.500.000	100,00%	KME A.G.	100,00%
KME Germany Holding Gmbh	Germania	non operativa	Euro	25.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Germany Service Gmbh	Germania	non operativa	Euro	25.000	1000,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Grundstuecksgesellschaft AG & Co. KG	Germania	Immobiliare	Euro	50.000	99,00%	KME A.G.	100,00%
					1,00%	KME Germany Gmbh & Co. K.G.	
KME Ibertubos S.A.U.	Spagna	Industriale	Euro	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME India Private Ltd.	India	Commerciale	INR	5.896.750	99,80%	KME Germany Gmbh & Co. K.G.	100,00%
					0,20%	KME A.G.	
KME Italy S.p.A	Italia	Industriale	Euro	103.839.000	100,00%	KME A.G.	100,00%
KME Kalip Servis A.S.	Turchia	Commerciale	TRY	950.000	85,00%	KME Germany Gmbh & Co. K.G.	85,00%
KME Marine Service America LLC	Stati Uniti	Industriale	USD	1.000	100,00%	KME America Marine Holding Inc.	100,00%
KME Metals (Shanghai) Trading Ltd.	Cina	Commerciale	RMB	680	100,00%	KME A.G.	100,00%
KME Moulds Mexico S.A. de C.V.	Messico	Commerciale	MXN	7.642.226	99,00%	KME A.G.	100,00%
					1,00%	Kabelmetal Messing Bet. GmbH	
KME Moulds Service Australia PTY Ltd.	Australia	Commerciale	AUD	100	65,00%	KME Germany Gmbh & Co. K.G.	65,00%
KME Partecipazioni SpA	Italia	Holding	Euro	47.900.000	100,00%	Intek Group SpA	100,00%
KME Polska Sp.z.o.o.	Polonia	Commerciale	PLN	250.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Recycle Srl	Italia	Holding	Euro	2.000.000	100,00%	KME A.G.	100,00%
KME Rolled France SAS	Francia	non operativa	Euro	40.000	100,00%	KME Italy SpA	100,00%
KME Service Russland Ltd.	Russia	Commerciale	RUB	10.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Solar Italy Srl in liquidazione	Italia	Soluzioni architettoniche	Euro	10.000	98,00%	KME Germany Gmbh & Co. K.G.	98,00%
KME Spain S.A.U.	Spagna	Commerciale	Euro	92.446	100,00%	KME A.G.	100,00%
Kmetal Srl	Italia	Commercio metalli	Euro	100.000	100,00%	KME A.G.	100,00%
KME Verwaltungs - und Dienstleistungsgesellschaft mit beschraenkter Haftung	Germania	non operativa	Euro	10.225.838	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Yorkshire Ltd.	Gran Bretagna	Industriale	LST	10.014.603	100,00%	KME A.G.	100,00%
Metalcenter Danmark A/S	Danimarca	Holding	DKK	1.524.880	30,00%	KME Germany Gmbh & Co. K.G.	30,00%
Metal Interconnector Soc. Cons. per Azioni	Italia		Euro	960.658	37,00%	KME Italy SpA	61,00%
					24,00%	KME Brass Italy Srl	
Oasi Dynamo Società Agricola Srl	Italia	Attività agricola	Euro	20.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
P.H.M. Pehamet Sp.Zo.o.	Polonia	Commerciale	PLN	15.850	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Progetto Ryan 3 Srl in liquidazione	Italia	Accessori arredamento	Euro	100.000	100,00%	KME Partecipazioni SpA	100,00%
Società Agricola Agrienergia Srl	Italia	Biogas	Euro	20.000	51,00%	Ergycapital SpA	51,00%
Società Agricola San Vito Biogas Srl	Italia	Biogas	Euro	119.000	51,00%	Ergycapital SpA	51,00%
Società Agricola Carmagnola Biogas Srl	Italia	Biogas	Euro	10.000	51,00%	Ergycapital SpA	51,00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Commerciale	$SG	352	25,00%	KME Germany Gmbh & Co. K.G.	25,00%
Steelma SpA in liquidazione e CP	Italia		Euro	170.000	82,00%	Ergycapital SpA	82,00%
Tecno Servizi Srl	Italia	immobiliare	Euro	50.000	100,00%	I2 Real Estate Srl	100,00%
Valika S.A.S.	Francia	Commercio metalli	Euro	200.000	51,00%	KME Recycle Srl	51,00%
XT Ltd.	Gran Bretagna	non operativa	LST	430.000	100,00%	KME Yorkshire Ltd.	100,00%
Yorkshire Copper Tube	Gran Bretagna	non operativa	LST	3.261.000	100,00%	KME Yorkshire Ltd.	100,00%
Yorkshire Copper Tube (Exports) Ltd.	Gran Bretagna	non operativa	LST	-	100,00%	Yorkshire Copper Tube	100,00%

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS
PARA.5 OF ITALIAN LEGISLATIVE DECREE 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

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

   of administrative and accounting procedures for the preparation of the Separate Financial statements during 2015, including the policies which the company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   3.1. The separate financial statements

   a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The accounting standard on Investment Entities (which amended IFRS 10 and 12 and IAS 27, as introduced by EU Regulation no. 1174/2013) was applied to these financial statements;
   b) reflect the balances recorded in the companies' books and accounting records;
   c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer.

   3.2 the Directors' Report contains a reliable analysis of the performance and results of operations as well as of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 29 April 2016

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements at 31 December 2015

Dear Shareholders,

The Board of Statutory Auditors reports on the supervisory activities as required by the law (and in particular, article 149 of Italian Legislative Decree 58/98 (the "TUF"), the rules of conduct for boards of statutory auditors of listed companies issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili [the National Board of Chartered and Public Accountants], the recommendations of Consob regarding corporate audits and the activities of the board of statutory auditors (in particular the communication of 20 February 1997, no. DAC/RM 97001574 and communication no. DEM 1025564 of 6 April 2001, which was subsequently supplemented with communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006) and the guidelines provided in the Code of Conduct.

This report is divided, as it is every year, in individual chapters which correspond to the disclosure obligations set by CONSOB, for better comprehension and comparability.

Significant events occurred in 2015

The significant events of 2015 were, on the one hand, the restructuring of the copper segment and on the other hand, in financial terms, the conclusion of the issuing of a bond loan of €101.7 million, which we have already described in the report accompanying the previous financial statements for the year ended 31.12.2014.

Restructuring of the copper segment

The fundamental reorganization of the copper segment which, as it is known, represents the company’s main asset, took place essentially along two main lines: the streamlining of the industrial production in Germany and the search for partnerships for the other business concerns.

In terms of the first aspect, the pipe production was concentrated in the Menden plant, with the cessation of this production at the Osnabruck plant.

This concentration of the production facility obviously required reductions in the personnel as well as decreased structural costs.

Another important transaction was the agreement that was reached with the Cupori Group, a Finnish operator in the copper tubing segment, which made it possible to integrate the production of pipes already taking place in French facilities of Givet and Niederbruck, involving the activities carried out respectively in the pipe segment (Givet) and in the copper rods’segment (Niederbruck), as well as the copper pipes produced at the Italian facility of Serravalle Scrivia. This agreement was concluded in December 2015 and entered into effect in March 2016, with the sale of 49% of the equity investment in KME France S.A.S. KME has a put option, for the sale of an additional 11 percent, in the event that specific conditions are fulfilled.

Possible reorganization operations for the Italian production entity are currently still being analyzed, particularly insofar as the production plant of Fornaci di Barga.

Significant financial aspects

As indicated in the report referring to 2014, the issuing of a bond loan totaling Euro 101.7 million was concluded in the first half of 2015, with the bonds listed at the Mercato Obbligazionario Telematico (MOT) [the electronic secondary market managed by Borsa Italiana], with maturity in 2020 and a fixed interest rate of 5%.

As better indicated in the Directors' Report, a significant portion of the liquidity was used to finance the subsidiary KME AG, which was involved in the restructuring mentioned above.

Another extremely significant aspect in financial terms is that on the date on which this report was compiled, KME AG was in the active process of negotiating the extension of the credit lines provided by the banks, which expired in the first half of 2016. This is a pool loan and two credit lines for factoring. To date, as indicated by the Directors, all the banks have confirmed their willingness to renew without substantial changes the credit lines in existence and the respective credit authorisation processes are in an advanced phase. The Directors reasonably expect that currently there are no reasons to believe that the approval by the bankingsyndicate, GE Commercial Finance and Mediofactoring will not take place by the middle of May 2016.

Accounting standards applied to the Investment Entity

In continuation of the previous year, the separate financial statements as well as the consolidated financial statements were compiled using the accounting standards for investment entities and therefore equity investments held as investments, which constitute the most significant equity investments, were measured at fair value and recognized in the income statement.

In relation to the actual application of this criterion the Board verified, including following meetings with management and the audit firm, that determination of the fair value had been carried out by an independent and reliable expert which was Ernst & Young Financial Advisor S.p.A.

Atypical or unusual transactions, including intragroup or related party transactions during 2015

The Board has not detected any atypical or unusual transactions during the year.

Comments on ordinary transactions with related parties are provided in the Notes to the financial statements.

These transactions are essentially related to the sale of goods and services in addition to financial and organisational transactions.

The Board nevertheless participated in the meetings of the Control and Risk Committee in 2015.

Observations or reference to disclosed information by the independent auditors / reports by Shareholders pursuant to article 2408 of the Italian Civil Code / representations.

During its periodic meetings, the Board of Statutory Auditors did not receive any information or reference to disclosed information from the Independent Auditors, nor did it receive communications from the latter during the meetings held in order to prepare this report, regarding the existence of observations and/or reference to disclosed information relating to the financial statements.

The Board of Statutory Auditors reports that it received a claim pursuant to article 2408 of the Italian civil code, which it will report to the shareholders meeting.

Following verifications carried out in regard to this claim, the Board reports that no irregularities were found.

Furthermore, on 23.12.2015, the Chairman of the Board of Statutory Auditors received a copy of a communication by a savings shareholder addressed to the company and the public authorities, in which that person essentially complained of the failure to recognize the rights of savings shareholders when making resolutions regarding the distribution of the profits of 2014.

In the opinion of the Board, this communication cannot be considered exactly as a claim addressed to the board pursuant to article 2408 of the Italian civil code, but in any case the Board checked with the company to determine whether at the time of the decision to allocate the profits for 2014, any rights of holders of saving shares were overlooked, agreeing with the opinion of the company's legal adviser, which was given to the shareholder in question, regarding the correct application of IFRS 10 and the consequent status of the restricted reserves of profits following the initial application of the fair value.

Independent Auditors' services

In addition to auditing, for which total consideration of Euro 142 thousand was paid by the Parent, further Euro 896 thousand were paid by the Group for auditing.

The independent auditor and/or individuals related to the latter on an ongoing basis received additional mandates at the Group level amounting to Euro 55 thousand.

There were no critical aspects regarding the independence of the independent auditor.

Opinions issued by KPMG in compliance with legal requirements

In 2015, the Independent Auditors, KPMG, issued no comments pursuant to the law.

Proposal by the Board Of Statutory Auditors of Intek Group SpA to the Shareholders Meeting for granting of the mandate for the legal audit

The mandate for the legal audit of the accounts which had been granted to KPMG SpA, based on the resolution of the shareholders meeting held on 23 May 2007, for the years 2007 to 2015, expired with the audit report referring to the financial statements for the year ended 31 December 2015.

The Shareholders Meeting of Intek Group SpA which was convoked for approval of the financial statements for the year ended 31 December 2015, pursuant to article 14, par. 1 of Legislative Decree 39 of 27 January 2010, and based on the proposal of the governing body, is required to grant a new mandate and determine the consideration payable to the company that will carry out the legal audit for the entire duration of the mandate and any criteria for adjustment of this consideration during the time of the mandate and the mandate granted must have a duration of nine financial years pursuant to article 17 of Legislative Decree 39, para 1. of 27 January 2010.

To this end the Board made a specific proposal to the Shareholders' Meeting, presented in a separate deed, in order to allow it to deliberate accordingly.

Supervisory activities and information acquired by the Board of Statutory Auditors

As is known, the Board Of Statutory Auditors has also taken over the duties of "Committee for internal control and auditing" and in this capacity it has regularly attended the meetings of the Board of Directors, as these are indicated in detail in the Directors' reports and those of the Control and Risks Committee.

Moreover, meetings were held with the auditing company for the necessary exchange of information between the two bodies and on a continuing basis with the management of the company.

During 2015, the Board of Statutory Auditors met five times compared to the six meetings of the previous year; participation in the meetings by the members was 100%.

Exhaustive information on the various corporate bodies of the company is contained in the Report on Corporate Governance accompanying the financial statements.

In the performance of its supervisory activities, at meetings and in frequent discussions, the Board of Statutory Auditors:

a) confirmed compliance with legal requirements and the Articles of Association during the year;

b) confirmed compliance with the principles of proper management, the existence of a satisfactory management structure and an adequate internal control system;

c) confirmed that no information of particular relevance emerged at meetings with KPMG and the Directors, including pursuant to article 150 of Legislative Decree 58/1998;

d) confirmed that subsidiaries provided all the information required by law and the Parent provided all the appropriate provisions required also by article 114, paragraph 2 of Legislative Decree 58/1998.

Where it was considered necessary, the Board also had contacts with certain members of the board of statutory auditors of certain subsidiaries, or with the persons in charge at the relative audit firms.

Verified that all impairment testing procedures at Group level took place with the support of the appropriate independent advisors, in this case Ernst & Young Financial Advisor S.p.A.

Confirmed that the Company has published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes.

Requested and received from management continuous updates and information on pending litigation, detailed information on which is not outlined herein since it is contained in the Directors' Report.

Confirmed that the company's organizational structure is adequate in terms of the coordination activity of the group.

The Board also:

- confirmed that the company complied with the code of conduct prepared by Borsa Italiana S.p.A.;
- confirmed that the company has regularly established the "Control and Risks Committee," that operated regularly throughout 2015;
- confirmed that the Board is comprised of three independent directors, a number which is considered adequate for the operations of the Board;
- confirmed that the Executive Directors reported to the Board the operations carried out in terms of the delegations conferred upon them.

During 2015 the Board met with members of the Supervisory Body who are external to the company.

The Board of Statutory Auditors carried out the periodic verification of the existence, for each of its own members, of the requirement for "independence" and "professionalism," and also verified the independence requirements of the members of the Board of Directors and in general, that there were no reasons preventing the offices assigned, and also compliance with the plurality of offices and the interlocking rules.

Analysis of the 2015 separate financial statements

The financial statements for the year ended 31 December 2015 show a positive result of Euro 4,040,633, resulting to a large extent from the application of the standard on investment entities within the terms indicated above, which resulted in recognition of profits at fair value of € 15,927 thousand.

The resulting profit is to be allocated to a non-distributable reserve.

On 29 April 2016 the Independent Auditors issued an unqualified opinion on the financial statements.

On 29 April 2016 the Chairman of the Company, Vincenzo Manes and the Manager in Charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, provided the Directors and Statutory Auditors with a statement – also in compliance with article 154 bis of Legislative Decree 58/1998 – certifying the adequacy, for a company of this type, of the management and accounting procedures for the preparation of separate and consolidated financial statements for the year 2015, and the compliance of the financial statements with international financial reporting standards.

In conclusion, the Board's evaluation of the company's internal control system is positive.

Proposal to Shareholders

The Board of Statutory Auditors is in agreement with the proposed approval of the separate financial statements as at and for the year ended 31 December 2015 and the allocation of profit for the year of € 4,040,633 as follows:

- 5% to the legal reserve, up to Euro 202,032;

- the remaining amount of Euro 3,838,601 will be allocated to a specific restricted reserve, pursuant to article 6 of Legislative Decree 38/2005, containing profits from application of the fair value criterion.

Milan, 29 April 2016.

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

The standing auditor

(signed Francesca Marchetti)

The standing auditor

(signed Alberto Villani)

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

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Intek Group S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Intek Group S.p.A. as at and for the year ended 31 December 2015.

Milan, 29 April 2016

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit

INTEK GROUP

Consolidated financial statements
at 31 December 2015

Intek Group – Consolidated financial statements at 31 December 2015

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*31-Dec-2015*	*of which related parties*	*31-Dec-2014*	*of which related parties*
Investments in equity interests and fund units	*4.1*	455,275		437,860	
Non-current financialassets	*4.2*	13,345	*11,245*	11,760	*9,036*
Investment property	*4.3*	3,852		4,488	
Property, plant and equipment	*4.4*	11,987		456	
Goodwill	*4.5*	798		1,000	
Intangible assets	*4.6*	3		4	
Other non-current assets	*4.7*	486		484	
Deferred tax assets	*4.21*	7,040		8,633	
Total non-current assets		**492,786**		**464,685**	
Current loan assets	*4.8*	67,517	*39,564*	12,131	*11,664*
Trade receivables	*4.9*	10,959	*2,838*	11,040	*1,838*
Other current receivables and assets	*4.10*	11,442	*1,562*	14,636	*138*
Cash and cash equivalents	*4.11*	10,947		48,940	
Total current assets		**100,865**		**86,747**	
Non-current assets held for sale	*4.12*	1,784		1,559	
Total assets		**595,435**		**552,991**	

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

The information on transactions with related parties is provided in note 4.22.

Intek Group – Consolidated financial statements at 31 December 2015

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31-Dec-2015*	*of which related parties*	*31-Dec-2014*	*of which related parties*
Share capital		314,225		314,225	
Other reserves		37,186		28,251	
Treasury shares		(2,456)		(3,638)	
Retained earnings (losses carried forward)		68,539		(76,318)	
Convertible loan		24,000		24,000	
Other comprehensive expense		(138)		(33)	
Profit for the year		6,169		155,851	
Equity attributable to owners of the Parent	***4.13***	**447,525**		**442,338**	
Non-controlling interests		-		-	
Total equity	***4.13***	**447,525**		**442,338**	
Employee benefits	*4.14*	437		471	
Deferred tax liabilities	*4.21*	3,564		1,728	
Non-current loans and borrowings	*4.15*	108,419		63,147	
Other non-current liabilities	*4.16*	1,788		938	
Provisions for risks and charges	*4.17*	4,964		6,101	
Total non-current liabilities		**119,172**		**72,385**	
Current loans and borrowings	*4.18*	24,295	*16,816*	29,404	*20,372*
Trade payables	*4.19*	1,271	*120*	1,276	*138*
Other current liabilities	*4.20*	3,172	*786*	7,588	*2,090*
Total current liabilities		**28,738**		**38,268**	
Total liabilities and equity		**595,435**		**552,991**	

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

The information on transactions with related parties is provided in note 4.22.

Intek Group – Consolidated financial statements at 31 December 2015

Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*2015*	*of which related parties*	*2014*	*of which related parties*
Net income from investment management	*5.1*	16,015		181,174	
Commissions on guarantees given	*5.2*	3,223	*3,223*	4,708	*4,708*
Other income	*5.3*	2,349	*144*	2,638	
Personnel expenses	*5.4*	(2,193)	*(19)*	(3,064)	*(26)*
Amortisation, depreciation and impairment losses	*5.5*	(883)		(314)	
Other operating costs	*5.6*	(6,258)	*(1,222)*	(11,611)	(3,752)
Operating profit		**12,253**		**173,531**	
Financial income		1,101	*1,004*	700	*94*
Financial expense		(6,265)	*(544)*	(10,627)	*(169)*
Net financial expenses	*5.7*	*(5,164)*		*(9,927)*	
Profit before taxes		**7,089**		**163,604**	
Current taxes	*5.8*	930		(1,160)	
Deferred taxes	*5.8*	(1,850)		(916)	
Total income taxes		**(920)**		**(2,076)**	
Profit from Investment Entity operations		**6,169**		**161,528**	
Profit/(loss) from previously consolidated assets		-		(5,563)	
Profit for the year		**6,169**		**155,965**	
Other comprehensive income:					
Employee defined benefit plans		*19*		*(3,746)*	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		19		(3,746)	
Exchange rate gains/ (losses)		-		11,554	
Net change in hedging reserve		(183)		(1,422)	
Other		-		1	
Taxes on other comprehensive income		45		(2,791)	
Items that will be reclassified to profit or loss		(138)		7,342	
Other comprehensive income, net of tax effect:		(119)		3,596	
Total comprehensive income for the year		**6,050**		**159,561**	
Profit for the year attributable to:					
- non-controlling interests		-		114	
- owners of the Parent		6,169		155,851	
Profit for the year		6,169		155,965	
Total comprehensive income attributable to:					
- non-controlling interests		-		374	
- owners of the Parent		6,050		159,187	
Total comprehensive income for the year		6,050		159,561	
Earnings per share (in Euro)					
Basic earnings per share		0.0075		0.0172	
Diluted earnings per share		0.0075		0.0158	

In the calculation of the profit for 2014, the effect of the item "Fair value change on investments" was excluded.

The notes are an integral part of these consolidated financial statements. The information on transactions with related parties is provided in note 4.22.

Statement of changes in equity at 31 December 2014

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings (losses carried forward)*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2013	**314,225**	**130,368**	**(3,998)**	**53,806**	**20,844**	**(165,329)**	**(55,433)**	**(26,920)**	**267,563**	**6,623**	**274,186**
Allocation of parent's profit	-	-	-	(158)	-	-	-	158	-	-	-
Allocation of subsidiaries' profit	-	-	-	-	-	(26,762)	-	26,762	-	-	-
Sale of treasury shares	-	10	360	-	-	-	-	-	370	-	370
Deferred taxes on equity items	-	(65)	-	-	-	-	-	-	(65)	-	(65)
Expiry of stock options	-	51	-	-	-	-	-	-	51	-	51
Other changes *(*)*	-	-	-	-	-	3,828	-	-	3,828	(263)	3,565
Changes as Investment Entity	-	(102,113)	-	(129,966)		188,263	60,313	-	16,497	-	16,497
Changes as Investment Entity	-	-	-	-	3,156	-	(8,249)	-	(5,093)	(6,734)	(11,827)
Total comprehensive income	-	-	-	-	-	-	3,336	-	3,336	260	3,596
Profit for the year	-	-	-	-	-	-	-	155,851	155,851	114	155,965
Total comprehensive income	-	-	-	-	-	-	3,336	155,851	159,187	374	159,561
Equity at 31 December 2014	**314,225**	**28,251**	**(3,638)**	**(76,318)**	**24,000**	**-**	**(33)**	**155,851**	**442,338**	**-**	**442,338**
Reclassification of treasury shares	(3,638)	-	3,638	-	-	-	-	-	-	-	-
Equity at 31 December 2014	**310,587**	**28,251**	**-**	**(76,318)**	**24,000**	**-**	**(33)**	**155,851**	**442,338**	**-**	**442,338**

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

At 31 December 2014, the parent directly held 978,543 savings shares and 5,095,746 ordinary shares withoutnominal amount. In addition, 2,512,024 savings shares were indirectly held. The shares were subsequently totally reclassified as a reduction of the share capital.

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

Statement of changes in equity at 31 December 2015

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings (losses carried forward)*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income*	*Profit/ (Loss) for the year*	*Total equity attributable to owners of the parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2014	**314,225**	**28,251**	**(3,638)**	**(76,318)**	**24,000**	**-**	**(33)**	**155,851**	**442,338**	**-**	**442,338**
Allocation of Parent's loss	-	10,945	-	-	-	-	-	(10,945)	-	-	-
Allocation of subsidiaries' loss	-		-	144,906	-	-	-	(144,906)	-	-	-
Purchase of treasury shares	-	-	(835)	-	-	-	-	-	(835)	-	(835)
Assignment of treasury savings shares	-	(2,017)	2,017	-	-	-	-	-	-	-	-
Deferred taxes on equity items	-	(45)	-	-	-	-	-	-	(45)	-	(45)
Expiry of stock options	-	19	-	-	-	-	-	-	19	-	19
Other changes	-	33	-	(49)	-	-	14	-	(2)	-	(2)
Total comprehensive expense	-	-	-	-	-	-	(119)	-	(119)	-	(119)
Profit for the year	-	-	-	-	-	-	-	6,169	6,169	-	6,169
Total comprehensive income (expense)	-	-	-	-	-	-	(119)	6,169	6,050	-	6,050
Equity at 31 December 2015	**314,225**	**37,186**	**(2,456)**	**68,539**	**24,000**	**-**	**(138)**	**6,169**	**447,525**	**-**	**447,525**
Reclassification of treasury shares	(2,456)	-	2,456	-	-	-	-	-	-	-	-
Equity at 31 December 2015	**311,769**	**37,186**	**-**	**68,539**	**24,000**	**-**	**(138)**	**6,169**	**447,525**	**-**	**447,525**

At 31 December 2015, the Parent directly held 11,801 savings shares and 7,719,940 ordinary shares without nominal amount. The shares were subsequently totally reclassified as a reduction of the share capital. Please refer to note 4.13 regarding the bonus issue of treasury savings shares to shareholders.

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

Intek Group – Consolidated financial statements at 31 December 2015

Statement of cash flows - indirect method

(in thousands of Euro)	*2015*	*2014*
(A) Cash and cash equivalents at the beginning of the year	**48,940**	**1,692**
Profit before taxes	7,089	163,604
Amortisation of intangibles assets and depreciation of property,plant and equipment	263	126
Impairment losses on current assets	170	-
Impairment losses on non-current assets other than financial assets	620	110
Reversal of impairment losses on investments and financial assets	(16,003)	(181,174)
Changes in provision for pensions, employment severance benefits and stock options	4	117
Changes in provisions for risks and charges	(249)	3,449
(Increase) decrease in investments	(1,211)	-
(Increases) decreases in financial investments and financial assets	(26,108)	73,659
Increase (decrease) in current and non-current loans and borrowings from related companies	(3,557)	8,471
(Increase) decrease in current and non-current loan assets from related companies	(34,323)	525
(Increase)/Decrease in current receivables	3,939	6,895
Increase/(Decrease) in current payables	(3,099)	(514)
Taxes paid during year	(1,307)	(2,076)
(B) Total cash flows from (used in) operating activities	**(73,772)**	**73,192**
(Increase) in non-current property, plant and equipment and intangible assets	(204)	(90)
Decrease in non-current property, plant and equipment and intangible assets	3	1
Investments in instrumental equity interests net of acquired cash	(9,968)	-
Increase/decrease in other non-current assets/liabilities	848	(330)
(C) Cash flows used in investing activities	**(9,321)**	**(419)**
(Purchase) sale of treasury shares and similar shares	(835)	370
Increase/(Decrease) in current and non-current loans and borrowings	45,983	(23,894)
Increase in current and non-current loan assets	(48)	(2,001)
(D) Cash flows from (used in) financing activities	**45,100**	**(25,525)**
(E) Change in cash and cash equivalents	**(37,993)**	**47,248**
(F) Cash and cash equivalents at the end of the year	**10,947**	**48,940**

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

Intek Group – Consolidated financial statements at 31 December 2015

Notes

1. *General information*

INTEK Group is a holding company with diverse interests, whose main objective consists in managing portfolio share investments and assets, with a dynamic entrepreneurial perspective focused on cash generation and the growth in the value of investments over time, even through sales functional to the new development strategies.

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

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

- The Company has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under Quattroduedue's control;
- the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

The consolidated financial statements at 31 December 2015 were approved by the Board of Directors on 29 April 2016 and will be published in accordance with legal and regulatory requirements.

2. *Accounting policies*

2.1. *Assessment of Investment Entity status*

Intek Group considers that it satisfies the characteristics set forth in paragraphs 27 and 28 of IFRS 10 regarding the qualification as an investment entity.

Paragraph 27 of IFRS 10 requires that the company:

a) obtain funds from one or more investors with the objective of providing its investors with investment management services;
b) commit to its investors to invest funds solely for returns from capital appreciation, investment income, or both; and
c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

The typical characteristics of investment entities as provided by paragraph 28 of IFRS 10 are the following:

a) it has more than one investment;
b) it has more than one investor;
c) it has investors that are not related parties of the entity; and
d) it has ownership interests in the form of equity or similar interests.

The consolidated financial statements at 31 December 2015 were therefore prepared in application of the accounting standards relative to investment entities, and therefore it measured at fair value the investments in non instrumental subsidiaries, which are therefore no longer fully consolidated. These standards were applied as of the end of the fourth quarter of 2014.

We note that there were no changes to the format of the statement of financial position from the one presented at 31 December 2014.

The presentation of the statement of profit or loss and other comprehensive income was however modified to reflect the investment entity activity.

To this end:

- the item "*Net income from investment management services*" was added, which contains all the income and expenses relative to the measurement and trading of the investments, whether instrumental or not, and the mutual investment funds;
- the item "*Commissions on guarantees given",* which had previously been included under "*Financial income*", is now shown separately;
- the item “*Income from the sales and provision of services*”, of a residual nature, is now included under the item “*Other income*”;
- the items “*Net income from investment management services*” and “*Commissions on guarantees given*” contribute to the Operating profit/(loss).

In the cash flow statement, the cash flows from investments in equities and mutual funds, including financial receivables and payables to related parties, are classified under cash flows from (used in) operating activities.

For comparison purposes, the income statement for the period and other components of the comprehensive income statement and the cash flow statement relating to 2014 were restated inserting an appropriate item under costs and revenue and excluding the cash flows relating to the previously consolidated companies, considered as investments as from the end of 2014.

2.2. Basis of presentation

The Consolidated financial statements as at and for the year ended 31 December 2015 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endossed by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 35/2005 where applicable.

The Consolidated financial statements at 31 December 2015 are composed of the Statement of Financial Position, the Statement of profit or loss and other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in equity, as well as the Notes thereto.

The accounting schedules and the notes to the financial statements include, besides the amounts relating to the reference period, also the corresponding comparative data from the previous year. The profit and loss statement for the year, other components of the comprehensive income statement and the cash flow statement have been restated compared to the data presented previously, for comparability of the reference financial statement data. The procedures used for restating the comparative data are explained in paragraph 2.1.

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

The Group has opted for presentation of a single statement of profits or loss and other comprehensive income in which the items of revenue and cost recognized during the reporting period are presented, including the financial expenses, the portion of the gains (losses) of associates and joint ventures accounted for using the equity method, the tax expenses, and a single amount relative to total discontinued operations. “*Other comprehensive income*” comprises the items, which, following the specific provisions of the individual IFRS, are recognized separately from profit or loss. These elements are divided into two categories as follows:

- the items that will not be subsequently reclassified to profit or loss;

- the items that will be subsequently reclassified to profit or loss, when specific conditions are fulfilled.

The amount attributable to the owners of the parent as well as the amount attributable to the non-controlling interests are given for the results of the previous year and of the current year.

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 receivables and payables generated by operating activities , which also include investing operations;
- transactions of a non-monetary nature;
- all other items for which the cash effects are cash flows from investing or financing activities.

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

In preparing these consolidated financial statements, the Directors have applied the concepts of accruals, going concern, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied the same accounting standards used for the consolidated financial statements at 31 December 2014, except for the standards effective as from 1 January 2015 and for the changes which occurred after the recognition of Investment Entity status as described in paragraph 2.1.

The accounting standards, amendments and interpretations applied for the first time by the company, which nevertheless had no significant effect on equity or the profit/(loss) for theyear , are the following:

- *IFRIC 21 – Levies.* This standard provides guidance on when to recognise a liability for levies accounted for in accordance with IAS 37, and accounting for liabilities relative to the payment of a levy, the timeframe and amount of which are uncertain. IFRIC 21 is applicable from financial years that begin on 17 June 2014.
- *Amendments to IAS 19 Employee Benefits.* On 21 November 2013, the IASB published an amendment to IAS 19 entitled Defined Benefit Plans: Employee Contributions. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment will be applicable from the financial years that begin subsequently to 1 July 2014.
- *Improvements relative to the 2010-2012 and 2011-2013 cycle.* On 12 December 2012 the IASB issued a group of *amendments to the IFRS.* These amendments will be applicable from the financial years that begin subsequently to 1 July 2014.

The Group has not yet applied the accounting standards which are listed in paragraph 2.22 and which, although already issued by the IASB, become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union.

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

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

These financial statements are presented in Euro (€), the functional currency of the parent and all the consolidated subsidiaries. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. Basis of consolidation

These standards mainly affect investments in subsidiaries of an instrumental nature as investees held for investment purposes are excluded from the scope of the consolidation.

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 fully recognised in the financial statements; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognized as "goodwill and goodwill arising on consolidation" and in the statement of profit or loss, if negative. The portion of equity and profit (loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, "goodwill" is measured at cost less accumulated impairment losses as required by IAS 36 "*Impairment of Assets".*

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, if necessary, have been adjusted to ensure consistency of accounting policies and standards with those of the Group.

The financial year of all consolidated subsidiaries is the calendar year. They draft their financial statements using the Euro.

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

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

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

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

c) the profits or losses correlated with the loss of control attributable to the former controlling investment are recorded.

d) the amounts recognized among other comprehensive income relative to the former subsidiary are reclassified in the statement of profit or loss of the year or transferred directly to retained earnings, if so provided by other IFRS.

Following is a list of the subsidiaries consolidated using the line by line method which was amended on 31 December 2014 due to acquisition of the control of Immobiliare Pictea Srl in July 2015.

Name	Registered office	Currency	Quota/Share capital	Activity	% ownership	
					Direct	indirect
Intek Group SpA	Italy	Euro	314,225,010	Holding company	Parent	
KME Partecipazioni SpA	Italy	Euro	47,900,000	Holding company	100.00%	
I2 Capital Partners Sgr SpA	Italy	Euro	1,500,000	Management of investment funds	100.00%	
I2 Real Estate Srl	Italy	Euro	110,000	Real Estate	100.00%	
Immobiliare Pictea Srl	Italy	Euro	80,000	Real Estate	100.00%	

The acquisition of control of Immobiliare Pictea mainly affected "*Property, plant and equipment"* which increased by Euro 11,599 thousand and "*Deferred tax liabilities*" which increased by Euro 1,630 thousand. The price paid, including the ancillary expenses, was Euro 10,022 thousand and the cash at banks acquired amounted to Euro 54 thousand.

2.4. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities made in order to obtain a yield from the capital appreciation, the income from the investment or both. Units in investment funds are also included in this item.

These assets are measured at fair value through profit or loss.

Fair value measurement

The initial fair value is determined by means of a transaction price, and therefore it is equal to the consideration paid.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is based on market prices.

The fair value of instruments that are not listed on an active market is determined, also with the support of independent consultants using measurement techniques, based on a series of methods and assumptions relating to market conditions at the date of preparation of the financial statements.

The measurement techniques used are the discounted cash flow method, the cost method and the equity method.

The measurement techniques based on the discounted cash flow generally require determination of an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and adoption of market parameters for the discounting: the rate or the discount margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

For companies that own properties, please see the subsequent paragraph relative to "Investment Property" regarding measurement thereof.

2.5. Investment property

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

For determination of the fair value, reference is made to a specific value, mainly provided by external appraisals, carried out by independent third parties who possess recognized professional qualifications and have experience in the specific type of properties. These appraisals are based on the value per square meter as estimated based on the assessments made by the public real estate registry office for buildings located in the same area, used for the same purpose and considering the state of their upkeep and future potential.

2.6. Financial assets and liabilities

The financial assets and liabilities acquired or held mainly for sale are classified as "financial assets or liabilities at fair valuethrough profit or loss ."

Fair value measurement

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.

Subsequently, and at each reporting date , the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions on the date of the financial statements.

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

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 non-current trade payables and receivables, for which the time value of money is immaterial, is deemed to correspond to their carrying amount.

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.

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

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

2.7. Property, plant and equipment

Investments in operating activities

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

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

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

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

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

Depreciation is charged based on the following useful lives:

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

Assets under finance leases

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

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

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

Impairment losses

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

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

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

Intangible assets, including directly attributable expenses, are initially recognized at cost or fair value, respectively. They are then systematically amortised based on their residual useful life, generally between 3 and 5 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".

2.9. Cash and cash equivalents

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

2.10. Equity

Share capital consists of ordinary and savings shares withoutnominal amount, fully subscribed and paid up at the year-end, reduced by any share capital to be received. The value of treasury shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported only in the notes, whilst the historical cost of treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity transactions are directly deducted from reserves.

2.11. Receivables and payables

The receivables and payables are recognized at fair value which normally coincides with their nominalamount, when the effect of the discounting is irrelevant.

2.12. Current and deferred taxes

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

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

Deferred tax assets are recognized to the extent that it is likely that there will be sufficient future taxable profit to recover them. The carrying amounts of deferred tax assets are tested for impairment at each reporting date and are reduced to the extent that they are not likely to be recoverable.

2.13. Employee benefits

Post-employment benefits are payable under plans which, depending on their terms and conditions, are classified either as "defined contribution" or "defined benefit" plans. The Group's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity, and consists of contributions due on the date of these financial statements.

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, with the assistance of an independent expert, on the basis of actuarial assumptions and accrued with reference to the length of service required for benefits to become vested. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in comprehensive income.

2.14. Provisions for risks and charges

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

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

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the year. Where the difference between the present and future value of the provision is significant, the provision is discounted to the amount required to settle the obligation.

2.15. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.16. Stock Options

Personnel expense includes the cost associated with stock options granted to executive members of Intek Group S.p.A.'s board of directors and certain other group executives, consistently with the nature of remuneration paid.

The fair value of stock options has been determined by the option's value as determined by the Black & Scholes model, which takes into consideration the conditions relating to the exercising of the option, the current share value, and the exercise price, duration of the option, dividends, expected volatility and the risk free interest rate. The cost of stock options, distributed over the entire vesting period, is recognised together with a belancing entry in equity under "Stock options reserve".

2.17. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months. If the sale is expected to be concluded after more than one year, the costs to sell are measured at their current value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented as a financial component in the statement of profit or loss.

2.18. Revenue recognition

The revenues arising from the provision of services, including the guarantees granted, are recognized based on the progress of the service as at the statement of financial position date.

The costs and other operating expenses are recognized as a component of the period result if they are incurred based on the accruals principle, which refers to revenues, and when they do not fulfil the requirements for recognition as statement of financial position assets.

2.19. Financial income and expense

The financial income and expenses are recognized in the statement of profit or loss based on their maturities.

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

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

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

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted.

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

The calculation at 31 December 2015 of the basic earnings per share was done by taking the Group profit/loss for the year 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 339,581,037, 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 due at 31 December 2015 was calculated last year.

2.21. Use of estimates

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

The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, 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 indefinite useful lives of intangible assets and other provisions.

These estimates and assumptions are periodically checked and any variations are immediately recognized in profit or loss. At thereporting date, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.22. Accounting standards not yet applied

At 31 December 2015, 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*: On 12 November 2009, the IASB published the standard in question which was repeatedly amended prior to 28 October 2010, in a subsequent intervention in mid-December 2011 and finally on 24 July 2014. The standard, applicable from 1 January 2018, represents the first part of a process in phases which aims to replace IAS 39 and introduce new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets from thestatement of financial position . In particular, for financial assets the new standard uses a single approach based on the procedures for the management of the financial instruments and contractual cash flows characteristics of the financial assets in order to determine the measurement criterion, replacing the various rules set forth in IAS 39. For financial liabilities, the main amendment that took place refers to the accounting treatment of the changes in the fair value of a financial liability designated as a financial liability measured at fair value and recognized through profit or loss statement, in the event that this should be due to the changes in the credit rating of the liabilities themselves. According to the new standard, these changes must be recognized in the statement of comprehensive income and should not go through profit or loss.

- *IFRS 14 - Regulatory Deferral Accounts*. On 30 January 2014, the IASB published IFRS 14, an interim standard relative to the Rate-regulated activities project. IFRS 14 allows only entities adopting IFRS for the first time to continue to recognise amounts relative to rate regulation according to the previous accounting standards adopted. In order to improve comparison with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation be presently separately from other items.
- *IFRS 15 - Revenue from Contracts with Customers.* On 28 May 2014, the IASB and the FASB jointly issued IFRS 15, the purpose of which is to improve the representation of revenues and global comparability of financial statements with the objective of rendering accounting of economically similar transactions uniform. This standard is applicable to IFRS users beginning from the years that begin after 1 January 2018 (early application is allowed).
- *IFRS 16 "Leases".* Replaces IAS 17 – Leasing and the interpretations, IFRIC 4 –Determining whether an Arrangement Contains a Lease, SIC 25 -Income Taxes. Changes in the taxation status of an entity or its shareholders and SIC 27 –Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 eliminated the distinction between and operating lease and a financial lease from the tenant's point of view; leases are instead treated in an unequivocal manner similar to the previous IAS 17. In particular leases are recognized in the statement of financial position assets as the right to use an asset against a financial liability. Partial exemption to this rule are allowed only for short-term leases (less than 12 months) or for leases referring to assets of a minor amount (for example a personal computer). The standard is applicable for the years that begin after 1 January 2019. Amendment to IAS 16 and 38 *Property, Plant and Equipment and Intangible Assets*. On 12 May 2014, the IASB published an amendment to the standard specifying that the use of revenue-based methods to calculate the depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The adoption of this standard is not expected to produce effects on the Group's financial statements.
- *Amendment to IFRS 11 - Joint Arrangements.* On 6 May 2014, the IASB published an amendment to the standard which adds new guidelines to accounting for the acquisition of an interest in a joint operation when the operation constitutes a business.
- *Amendment to IAS 27 – Separate financial statements:* On 12 August 2014, the IASB published an amendment to the standard which will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- On 7 September 2014, the IAS issued a group of amendments to the IFRS a ("*Improvements to IFRS 2012-2013 cycle and 2013-2014 cycle*"). These amendments will be applicable from 1 January 2016. Early application is allowed.
- *Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: exceptions to the consolidation method.* The IASB has issued a series of amendments which mainly refer to:

<u>*IFRS 10 Consolidated Financial statements*</u> – The amendments to the IFRS clarified that the exemption from presenting consolidated financial statements applies to a parent which is in turn controlled by an investment entity, when the investment entity measures all its subsidiaries at fair value.

<u>*IAS 28*</u> <u>*Investments in Associates*</u> - The amendment to IAS 28 allows a company that is not an investment company but which has an equity investment in an investment company which is measured using the equity method, to maintain for this measurement, the

fair value applied by the investment company with reference to its own interests in subsidiaries.

<u>IFRS 12</u> <u>Disclosure of Interests in Other Entities</u> - The amendment to IFRS 12 clarifies this standard does not apply to investment entities that draft their own financial statements, which measure all subsidiaries at fair value through profit or loss.

These amendments are applicable retroactively from the years beginning 1 January 2016 or later. Earlier application is allowed.

- *Amendment to IFRS 10 Consolidated Financial Statements* and *IAS 28 Investments in Associates and Joint Ventures.* The amendment issued by the IASB in September 2014 outlines the amendments that aim to rectify an incongruence insofar as the sale or contribution of assets between an investor and its subsidiary or joint venture. The main consequence of the amendments is that a profit or loss is recognized in full when the transaction involves a business. The aforementioned amendments would be applicable prospectively beginning from the financial statements that begin on (or after) 1 January 2016, but, in January 2015, the IASB itself decided to postpone the effective date as inconsistencies were identified in certain paragraphs of IAS 28. Following the decision made by the IASB, the European Union therefore blocked the endorsement process while awaiting publication of the new document with the new effective date.
- *Amendment to IAS 1 – Disclosure Initiative*. In December 2014, the IASB issued a series of amendments to the disclosure to be presented in the financial statements and the schedules contained therein. These amendments are applicable from the years beginning 1 January 2016 or later. Earlier application is allowed.

The Group will adopt these new standards, amendments and interpretations, on their application dates and it will assess their potential impact as soon as the European Union proceeds with their endorsement.

3. <u>Financial risk management</u>

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

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

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

Types of risk:

a) credit risk: given the operations of Intek and its consolidated subsidiaries, there are no significant receivables from third party entities;

b) liquidity risk: it can arise from the inability to raise financing for operating activities as and when required. All inflows and outflows and cash balances are centrally monitored. The Group intends to meet its cash requirements for the repayment of loans and borrowings to be due and capital expenditure through cash flows from operating activities, cash and cash equivalents and renewed or new bank loans and borrowings.

c) currency risk: the Group is exposed to the risk that the fair value of the investments outside the Euro area will fluctuate with changes in the exchange rates;

d) interest rate risk: interest rate risk, to which the Group is exposed, arises primarily in connection with non-current loans and borrowings. 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;

e) risk of fluctuation of the share value: the Group is exposed to market fluctuations insofar as the listed shares it holds in its portfolio and changes in the market parameters used for determination of the value of equity investments through valuation techniques. The risk of fluctuations in the values of these equity interests, recognized under “investments in equity interests and fund units" is not actively managed using financial hedging instruments.

4. Notes to the Consolidated financial statements at 31 December 2015

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Investments in subsidiaries and associates	447,620	428,674	18,946
Investments in other companies	12	12	-
Other funds units	7,389	7,738	(349)
Other investments	254	1,436	(1,182)
Investments in equity interests and fund units	**455,275**	**437,860**	**17,415**

The breakdown of the item was as follows:

Name	*Registered office*	*Activity*	*% ownership*	*31-Dec-2014*	*Increases*	*Decreases*	*Fair value gains*	*Fair value losses*	*31/12/2015*
KME AG	Osnabruck (D)	Industrial	100.00%	391,615	-	-	18,374	-	409,989
ErgyCapital SpA *(*)*	Florence	Alternative Energy	46.37%	6,970	-	-	-	(930)	6,040
FEB - Ernesto Breda SpA	Milan	Holding company	86.55%	15,335	-	-	3,165	-	18,500
KME Beteiligungsgesellschaft mbH	Osnabruck (D)	Real Estate	100.00%	1,000	-	-	-	-	1,000
Tecno Servizi Srl	Varedo	Real Estate	100.00%	2,500	-	-	-	(500)	2,000
Fossati Uno Srl	Milan	Real Estate	35.00%	-	407			-	407
Idra International SA	Luxembourg		100.00%	-	-	-	-	-	-
Inteservice Srl in liq.	Naples		100.00%	-					-
Malpaso Srl	Milan	Real Estate	100.00%	30	100	-	-	(3,278)	(3,148)
Rede Immobiliare Srl *(**)*	Milan	Real Estate	48.98%	7,900	-	-	-	(2,390)	5,510
Progetto Ryan 2 Srl in liq.	Milan	In liquidation	88.00%	400	-	-	-	-	400
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	20	-	-	-	-	20
Progetto Ryan 3 in liquidation *(***)*	Milan	Furniture	100.00%	2,500	1,111	-	-	-	3,611
Culti Milano Srl	Milan	Furniture	100.00%	4	-	-	2,887	-	2,891
Il Post Srl	Milan	Publishing	18.80%	400	-	-	-	-	400
Total Subsidiaries and Associates				**428,674**	**1,618**	**-**	**24,426**	**(7,098)**	**447,620**
Other investments				**12**	**-**	**-**	**-**	**-**	12
Total investment				**428,686**	**1,618**	**-**	**24,426**	**(7,098)**	**447,632**
I2 Capital Partners Fund				7,704	304	(680)	16		7,344
Value Secondary Investment SICAR				34	-	-	11	-	45
Total Fund Units				**7,738**	**304**	**(680)**	**27**	**-**	**7,389**
Warrant ErgyCapital				560	-	-	-	(306)	254
Advances for equity investments				876	-	(876)	-	-	-
Total Other investments				**1,436**	**-**	**(876)**	**-**	**(306)**	**254**
Investments in equity interests and fund units				**437,860**	**1,922**	**(1,556)**	**24,453**	**(7,404)**	**455,275**

(*): *the amount indicated refers solely to shares recognized under non-current assets;*

(**): *of which 48.98% directly and the rest through Malpaso Srl;*

(***): *formerly Culti Srl.*

The fair value of the investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC, also after taxes) of 8.54%, plus an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded.

The UDCF method was carried out on the basis of economic forecasts and changes in some statement of financial position items contained in the 2016-2020 Plan ("the Plan"), prepared and approved by the KME AG Board of Directors.

Compared to those previously used, the Plan is characterized by a review downward of the future flows also in light of the results reached during 2015. Following are the basic assumptions of the Plan:

- progressive recovery of the sales volumes of approximately 1.8% annually (the increase in demand of copper at the global level (CAGR 2015-2018) is 3.4%) up to levels reflected the quantity sold in 2011 are expected to be reached in 2018;
- increase in the added value (CAGR of approximately 3.3%) connected to the assumed stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators.
- significant recovery in EBITDA (gross operating profit/loss) mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- inflation is assumed at 2% per annum for 2017 and 2018 and 3% for 2019-2020;
- investments are essentially stable at 4.5% of net invested capital.

The terminal value has been calculated assuming that long-term EBITDA is the EBITDA recorded in the Plan in the last 5 years (explicit period), that depreciation is equal to the investments and using a long-term growth rate “g” of zero.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved.

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5%, in line with the Italian valuation practices;
- debt cost: 10-year European swap rate at 31 December 2015 plus a 2.5% spread;
- Unlevered Beta: average of beta factors of a sample of comparable listed companies;
- Additional *Alpha* premium on the cost of own capital equal to 4%.

It should be noted that in 2014 the cash flows were discounted using a WACC discount rate of 8.31% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk free rate of about 2.5%, a premium market risk of 5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2015 test was furthermore subjected to a sensitivity analysis using a WACC from 8.54% to 9.54% and a growth rate "g" from zero to 2% and two alternative scenarios for the determination of the terminal value calculate assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2020). In both scenarios a discount rate representative of the average cost of capital (WACC) of 8.54% was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded.

The fair value fluctuates from a minimum of Euro 404.2 million to a maximum of Euro 418.1 million and the directors considered it reasonable to use a value close to the average value of Euro 410.0 million.

It is hereby noted that Intek Group guaranteed existing loans of KME AG as described in the section 5 commitments and guarantees of the notes to the separate financial statements.

Regarding the equity interest in FEB - Ernesto Breda, again with the assistance of an external consultant, the adjusted equity was estimated based on the equity of the FEB-Ernesto Breda's subsidiaries and the capital gains implicit in the other assets and liabilities. The fair value fluctuates from a minimum of Euro 17.9 million to a maximum of Euro 18.8 million and in this case as well, the Directors decided to use a value of Euro 18.5 million that falls within this interval.

With regard to the investments in Progetto Ryan 3 and Culti Milano, through the intervention of an external consultant, the fair value estimate was made based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate which represents the average cost of capital (WACC, also post tax) equal to 9.51% increased by an additional premium of 1.5% to reflect the risks that are intrinsic in the forecasts.

For the ErgyCapital shares and warrants, the market price at 31 December 2015 was applied, pursuant to IFRS 13.

For other investments reference has been made mainly to the equity value of the investments by adjusting it on the basis of the current values of the related assets. For property assets, the relative fair values are corroborated by appraisals made by independent third parties.

During the year, the investment in Fossati Uno Srl was finalized. The group holds a 35% stake in this company, which in December 2015 purchased a historic industrial building located in Sondrio.

During the year, the liquidation of the investee Idra International SA was officially concluded, while for Interservice Srl the cancellation from the company register was requested in the initial months of 2016.

The stakes in "Mutual funds" relate entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The value of the shares as at 31 December 2015 is equal to Euro 7,344 thousand, down by Euro 360 thousand compared to 31 December 2014. The reduction is due to the Euro 680 thousand of refunds received and is net of the payments made of Euro 304 thousand and the positive effects of the measurement by Euro 16 thousand. The fair value has been calculated based on the fair value of the individual investments of the fund net of other financial assets and liabilities.

The item "*Advances for equity investments*" of Euro 876 thousand at 31 December 2014 refers the investment in Fossati Uno Srl and was partially reclassified as an investment, to insofar as the portion used for subscription to the shares, and the remainder, which represents the portion be earmarked for shareholder loan, was recognized under non current financial assets.

4.2. Non-current financialassets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Bank deposits pledged as collateral	2,000	2,673	(673)
Loan assets from associates	11,245	7,361	3,884
Receivables from guarantees issued	-	1,675	(1,675)
Other non-current financial assets	100	51	49
Non-current loan assets	**13,345**	**11,760**	**1,585**

"*Bank deposits pledged as collateral*" refer to the bank guarantees issued for the sale of the equity investment in Cobra AT (Euro 2,000 thousand) that took place in 2014 and they will be pledged until 2017. The item as at 31 December 2014 contained also a deposit of Euro 672 thousand securing a guarantee provided by credit institutions to the Group, as part of its special situations activities. This deposit had already been released as at the date of this report and is therefore classified among current financial assets.

The " *Loan assetsfrom associates*" refer to loans granted to subsidiaries and associates and they consist of:

- Euro 8,046 thousand to Tecno Servizi;
- Euro 2,488 thousand to Fossati Uno;
- Euro 536 thousand to Progetto Ryan 3;
- Euro 175 thousand to NewCocot.

During the year, following the wind-up of the investee, the loan to Idra International (Euro 274 thousand) was closed. The loan to Progetto Ryan 3 Srl under liquidation was classified as non-current based on the expected completion time of the liquidation procedure.

"Guarantee fees receivable" are the present value of guarantee fees receivable in more than 12 months, for guarantees issued by the parent to banks on behalf of the non-consolidated subsidiaries to which the loans were extended. These receivables were matched by payables of an equal amount. This item was set to zero due to the reclassification among current financial assets since the commissions referred to loans which, at 31 December 2015, expired within 12 months.

4.3. Investment property

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Investment property	**3,852**	**4,488**	**(636)**

The most significant item is Euro 3,500 thousand and refers to the Ivrea building complex owned by I2 Real Estate, which is currently not leased, and during the year it was impaired so that it could be adjusted to the values that were specified in the appraisal.

The breakdown of the movements during the year is the following:

(in thousands of Euro)	
Total at 31 December 2014	**4,488**
Increases in the year	7
Reclassifications	(225)
Fair value *losses*	(418)
Total at 31 December 2015	**3,852**

The reclassifications refer to the building located in Torchiarolo (BR) for which in March 2016 a preliminary sales contract had been concluded and therefore it was added to non-current assets held for sale.

4.4. Property, plant and equipment

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Buildings	11,423	-	11,423
Plant and equipment	-	2	(2)
Moveable property	542	454	88
Payments on account and assets under construction	22	-	22
Property, plant and equipment	**11,987**	**456**	**11,531**

Changes in the year may be summarised as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Payments on account*	*Total*
Gross amount	1,144	37	2,157	-	3,338
Accumulated depreciation	(1,144)	(35)	(1,703)	-	(2,882)
Total at 31 December 2014	**-**	**2**	**454**	**-**	**456**
Gross amount at 31 December 2014	**1,144**	**37**	**2,157**	**-**	**3,338**
Purchases in the year	-	-	174	22	196
Reclassifications	(1,144)	-	-	-	(1,144)
Change in scope of consolidation (cost)	13,506	-	-	-	13,506
Disposals (cost)	-	(37)	(12)	-	(49)
Gross amount at 31 December 2015	**13,506**	**-**	**2,319**	**22**	**15,847**
Accumulated depreciation at 31 December 2014	**(1,144)**	**(35)**	**(1,703)**	**-**	**(2,882)**
Reclassifications	1,144	-	-	-	1,144
Change in scope of consolidation (amortisations provision)	(1,907)	-	-	-	(1,907)
Depreciation and impairment losses	(176)	-	(85)	-	(261)
Disposals (accumulated depreciation)	-	35	11	-	46
Accumulated depreciation at 31 December 2015	**(2,083)**	**-**	**(1,777)**	**-**	**(3,860)**
Gross amount	13,506	-	2,319	22	15,847
Accumulated depreciation	(2,083)	-	(1,777)	-	(3,860)
Total at 31 December 2015	**11,423**	**-**	**542**	**22**	**11,987**

The most significant change of the year is connected to the purchase of Immobiliare Pictea and therefore the addition to the consolidation area of the property located at Foro Buonaparte, 44 in Milan, for which the restructuring of the residential portion has begun.

The changes during the previous the year are shown below:

(in thousands of Euro)	*Land*	*Buildings*	*Plant and equipment*	*Moveable property*	*Payments on account*	*Total*
Gross amount	53,335	203,625	1,009,875	99,222	16,432	1,382,489
Accumulated depreciation	(295)	(124,740)	(644,111)	(72,850)	(67)	(842,063)
Total at 31 December 2013	**53,040**	**78,885**	**365,764**	**26,372**	**16,365**	**540,426**
Gross amount at 31 December 2013	**53,335**	**203,625**	**1,009,875**	**99,222**	**16,432**	**1,382,489**
Purchases in the year	1	713	3,906	2,657	17,492	24,769
Reclassifications	17	2,916	14,861	2,997	(20,191)	600
Change in scope of consolidation (cost)	(251)	(6,473)	(23,843)	(4,659)	(338)	(35,564)
Increase in cost due to translation differences	404	940	2,988	158	24	4,514
Disposals (cost)	(1)	(483)	(24,236)	(3,467)	(1,999)	(30,186)
Change as Investment Entity	(53,505)	(200,094)	(983,514)	(94,751)	(11,420)	(1,343,284)
Gross amount at 31 December 2014	**-**	**1,144**	**37**	**2,157**	**-**	**3,338**
Accumulated depreciation at 31 December 2013	**(295)**	**(124,740)**	**(644,111)**	**(72,850)**	**(67)**	**(842,063)**
Reclassifications	2	253	(123)	(801)	69	(600)
Depreciation and impairment losses	-	-	-	(109)	-	(109)
Change in scope of consolidation (amortisations provision)	-	3,554	13,452	3,432	-	20,438
Impairment losses	(34)	(5,254)	(27,469)	(4,130)	(56)	(36,943)
Increase in depreciation due to translation differences	(26)	(248)	(2,905)	(187)	-	(3,366)
Disposals (accumulated depreciation)	-	484	20,669	3,089	-	24,242
Change as Investment Entity	353	124,807	640,452	69,853	54	835,519
Accumulated depreciation at 31 December 2014	**-**	**(1,144)**	**(35)**	**(1,703)**	**-**	**(2,882)**
Gross amount	-	1,144	37	2,157	-	3,338
Accumulated depreciation	-	(1,144)	(35)	(1,703)	-	(2,882)
Total at 31 December 2014	**-**	**-**	**2**	**454**	**-**	**456**

4.5. Goodwill

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Goodwill	**798**	**1,000**	**(202)**

The reduction is connected to impairment losses made for realisation of part of the contingent assets the goodwill refers to.

Goodwill relates to the taking over of court-approved agreements with creditors in bankruptcies made by two companies merged by Intek during 2008, originally for Euro 5,000 thousand for each company. Impairment testing is carried out at least annually on drawing up the financial statements. The impairment losses on goodwill of Euro 4,000 thousand, recognized over past years by Intek were the result of the reduction in the future cash flows expected for the realization of certain contingent assets.

4.6. Intangible assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other assets	3	4	(1)
Intangible assets	**3**	**4**	**(1)**

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

The changes in the year were as follows:

(in thousands of Euro)	*Total*
Gross amount	7
Accumulated amortisation	(3)
Total at 31 December 2014	**4**
Gross amount at 31 December 2014	**7**
Purchases in the year	1
Gross amount at 31 December 2015	**8**
Accumulated amortisation **at 31 December 2014**	**(3)**
Amortisation and impairment losses	(2)
Accumulated amortisation **at 31 December 2015**	**(5)**
Gross amount	8
Accumulated amortisation	(5)
Total at 31 December 2015	**3**

The following changes took place in 2014:

(in thousands of Euro)	*Other assets*	*Payments on account and assets under development*	*Total*
Gross amount	14,339	123	14,462
Accumulated amortisation	(11,893)	-	(11,893)
Total at 31 December 2013	**2,446**	**123**	**2,569**
Gross amount at 31 December 2013	**14,339**	**123**	**14,462**
Purchases in the year	252	273	525
Reclassifications	446	(247)	199
Change in scope of consolidation (cost)	(194)	-	(194)
Decreases (cost)	(923)	(2)	(925)
Changes as Investment entity	(13,911)	(147)	(14,058)
Gross amount at 31 December 2014	**9**	**-**	**9**
Accumulated amortisation at 31 December 2013	**(11,893)**	**-**	**(11,893)**
Change in scope of consolidation (provisions)	133	-	133
Amortisation and impairment losses	(957)	-	(957)
Reclassifications	(201)	-	(201)
Decreases (accumulated amortisation)	922	-	922
Changes as Investment entity	11,991	-	11,991
Accumulated amortisation at 31 December 2014	**(5)**	**-**	**(5)**
Gross amount	9	-	9
Accumulated amortisation	(5)	-	(5)
Total at 31 December 2014	**4**	**-**	**4**

4.7. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Guarantee deposits	472	484	(12)
Other receivables	14	-	14
Other non-current assets	**486**	**484**	**2**

The item "*Guarantee deposits*" refers mainly (Euro 466 thousand) to amounts paid in relation to the sale of the property in Paris.

4.8. Current financial assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Loans to associates	37,304	7,772	29,532
Receivables for guarantees issued	2,260	3,892	(1,632)
Financial assets held for trading	379	467	(88)
Investments in securities	26,902	-	26,902
Other current financial assets	672	-	672
Current financial assets	**67,517**	**12,131**	**55,386**

"*Investments in securities" refer* to harmonised UCIs (investment funds), in which a portion of the Group's liquidity is invested while awaiting other investment opportunities.

"*Loans to associates*" include:

- Euro 29,700 thousand which is the balance of the current account held with subsidiary KME AG for a temporary cash investment;
- Euro 4,182 thousand which is the balance of the current accounts held with ErgyCapital SpA;
- Euro 1,407 thousand which is the balance of the current accounts held with Culti Milano Srl;
- Euro 1,514 thousand which is the balance of loans to the parent Quattroduedue S.p.A.;
- Euro 196 thousand which is the balance of the current accounts held with subsidiary Rede Immobiliare Srl;
- Euro 291 thousand which is the balance in the current accounts held with the indirect subsidiary KME Yorkshire Ltd;
- Euro 14 thousand of current assets referring to Progetto Ryan 3 Srl.

As at 31 December 2014, the item also included a receivable of Euro 1,926 thousand from Culti Srl (currently Progetto Ryan 3 in liquidation). This receivable, which increased in 2015 up to Euro 2,307 thousand, the amount of Euro 1,771 thousand was partially waived, and of this amount Euro 900 thousand was recognized in profit and loss and Euro 871 thousand increased the value of the equity investment). The remaining portion of Euro 536 thousand, as already mentioned, was reclassified among "*Non current financial assets*".

"*Receivables for Guarantee issued*" are the present value of guarantee fees that are receivable within 12 months, for guarantees issued by the INTEK Group S.p.A. to banks on behalf of the Group companies to which loans were extended. These receivables are matched by payables of an equal amount. The carrying amount of receivables determined in that manner is believed to approximate fair value.

The "Other" item includes Euro 672 thousand of blocked bank deposits which had previously been classified under non-current financial assets.

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

- 4,458,440 ErgyCapital SpA ordinary shares, which are carried at their official price at the year-end (Euro 0.078 per share);
- 4,993,900 ErgyCapital SpA warrants, which are carried at their official price at the year-end (Euro 0.005 per warrant);

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.

4.9. Trade receivables

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Loans to customers – gross amount	*1,814*	*2,453*	(639)
Allowance for impairment	*(1,113)*	*(1,043)*	(70)
Loans to customers – net amount	701	1,410	(709)
Loans to associates	2,838	1,838	1,000
Receivables for factoring/leases	7,420	7,792	(372)
Trade receivables	**10,959**	**11,040**	**(81)**

The reduction of the "*Loans to customers*" item is connected to the formalization of the absorption of a portion of a loan payable by a customer that had acquired certain property in previous years.

"*Loans to associates*" at 31 December 2015 mainly refer to guarantees issued.

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Tax assets	4,650	7,104	(2,454)
Advance payments to suppliers	-	54	(54)
Receivables from special situations	4,843	6,832	(1,989)
Prepayments and accrued income	44	149	(105)
Receivables due from associates	1,562	138	1,424
Other receivables	343	359	(16)
Other current receivables and assets	**11,442**	**14,636**	**(3,194)**

"*Tax assets*" mainly include receivables for direct taxes of Euro 3,424 thousand (of which Euro 2,500 thousand requested for refund) and VAT receivables for Euro 1,103 thousand of the Parent.

"*Receivables from special situations*" mainly include receivables arising from insolvency procedures for Euro 3,332 thousand and receivables guaranteed by properties for Euro 1,510 thousand. Receivables due from insolvency procedures relate to positions concerning the Finanziaria Ernesto Breda procedure in order to guarantee receivables for its subsidiaries, which are in administrative compulsory liquidation, and which will be collected based on the progress in these companies' insolvency procedures. The receivables secured by properties were reduced in 2015 by the amounts collected as a result of the sale of certain properties.

The "*Receivables from associates*" as at 31 December 2015 included Euro 1,554 thousand of positions arising as part of the tax consolidation.

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

4.11. Cash and cash equivalents

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

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Bank and post office accounts	10,934	48,932	(37,998)
Cash on hand	13	8	5
Cash and cash equivalents	**10,947**	**48,940**	**(37,993)**

4.12. Non-current assets held for sale

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Properties held for sale	1,784	1,559	225
Non-current assets held for sale	**1,784**	**1,559**	**225**

These are mainly properties from the prior Fime operations for which sales negotiations are underway. The item has increased due to the reclassification of the property located in Torchiarolo (BR), as explained previously.

4.13. Equity

Please see the "*Statement of changes in equity*" for an analysis of changes in equity.

The Intek Group 2012-2017 Convertible Loan has been recognised, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the Convertible Bonds instead of their (automatic) conversion into shares is remitted to the shareholders' meeting (by means of a resolution adopted with the majority required by the regulation for the Convertible Loan);
- the number of shares which the issuer of the Convertible Loan must assign to the holders of the Compulsory Convertible Bonds on their expiry is preset and is not subject to change.

In July 2015, in execution of the resolution of the shareholders' meeting held on 19 June 2015, 3,478,766 saving shares were assigned free of charge to all the shareholders of the Intek Group, holding both ordinary and savings shares, as a distribution of the available reserves via allocation of savings shares held by the Group in a ratio of one savings share against every 111 ordinary shares and/or saving shares held. Following this allocation, 11,801 saving shares remain in the Group's portfolio.

Moreover, during the year 2,624,194 treasury shares were purchased on the market against a total of Euro 835 thousand.

Due to the transactions above, at 31 December 2015 the Group held 7,719,940 ordinary shares, or 2.23% of the capital of this category and 11,801 saving shares or 0.024% of the capital represented by this category of shares. The treasury shares held by the company represented 1.95% of the total shares.

4.14. Employee benefits

The details and movements of the item during the year are shown below:

(in thousands of Euro)	*31 Dec. 2014*	*Increases*	*Decreases*	*Payments to the fund*	*31 Dec. 2015*
Post-employment benefits	471	96	(82)	(48)	437
Employee benefits	**471**	**96**	**(82)**	**(48)**	**437**

The "*Post-employment benefits"* item is composed as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Other changes*
Executives	159	145	14
Clerical	244	273	(29)
IAS adjustment	34	53	(19)
Post-employment benefits	**437**	**471**	**(34)**

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

General Criteria	*31 Dec. 2015*	*31 Dec. 2014*
Discount rate	1.39-2.03%	1.49-3.55%
Rate of increase in future remuneration	0.5-1.0%	1.0%
Average remaining working life	7.2-11.7 years	13 years
General Criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2015 for the actuarial measurement of the post-employment benefits (TFR).

4.15. Non-current loans and borrowings

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
SFP Intek Group 2012/2017 debt securities	-	48,662	(48,662)
Intek Group 2012/2017 bonds	-	11,328	(11,328)
Intek Group 2015/2020 bonds	100,789	-	100,789
Financial guarantees issued	-	1,675	(1,675)
Bank loans and borrowings	7,621	1,467	6,154
Due to lease companies	9	15	(6)
Non-current loans and borrowings	**108,419**	**63,147**	**45,272**

The items “*SFP Intek Group 2012/2017 equity instruments*” and “*Intek Group 2012-2017 bonds*” relate to the financial instruments issued during the public exchange offers made in 2012 by Intek (with the issue of bonds) and by KME Group (with the issue ofequity instruments). As at 31 December 2014, there were 22,655,247 issued and outstanding Intek Group bonds with a nominal unit amount of Euro 0.50, while there were 115,863,263 Intek Groupdebt securities , with a nominal amount of Euro 0.42 issued and in circulation. Both categories of securities had a duration of five years from 2012 to 2017 and fixed interest of 8%.

In December 2014, INTEK Group launched the issue of a new bond “Intek Group 2015-2020 bonds”with a duration from 2015 to 2020, and yield at a fixed rate of 5%. This security was offered in exchange to holders of outstanding securities and as an offer to subscribe. Upon completion of the transaction concluded in February 2015, the securities that were not used to participate in the exchange were redeemed early. The nominal amount of the issue was Euro 101,703,751.20 while the carrying amount was recorded net of the issue costs which were deferred along the duration of the security, so that a constant effective interest rate could be determined.

The “*Bank loans and borrowings*” refer to loans secured by a mortgage taken out by the subsidiary I2 Real Estate and the subsidiary Immobiliare Pictea. No financial covenants are envisaged. As regards I2 Real Estate, these are two loans maturing on 31 December 2021 and 31 December 2024. The first loan totaling Euro 1,253 thousand at 31 December 2015 pays interest at six month Euribor plus a spread of 0, 9 points and is secured by the Ivrea properties. The second loan totalling Euro 338 thousand pays interest on the basis of six month Euribor plus a spread of 1,25 points and it is secured by the Padua properties. During the year, a portion of the property was taken over by the purchaser. Regarding Immobiliare Pictea, this is a loan which matures in July 2030 the total amount of which as at 31 December 2015 was Euro 6,806 thousand. The loan, guaranteed by a mortgage on the property, carries a variable rate of 1 month Euribor plus a spread of 2.80 points. An interest rate swap contract was concluded to hedge the interest rate risk for the same duration. The notional amount is amortizing 100% of the loan hedged with a fixed rate of 0.99%.

4.16. Other non-current liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Other liabilities	1,788	938	850
Other non-current liabilities	**1,788**	**938**	**850**

The balance of this item includes:

- payables of Euro 938 thousand connected to the special situations operations, as part of the taking over of agreements with creditors, which have not changed compared to last year;
- payables of Euro 850 thousand from the investment agreement in the initiative of Fossati Uno.

4.17. 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 December 2014*	*Increases*	*Releases/uses*	*31 December 2015*
Provisions for special situation risks	3,584	47	(476)	3,155
Other provisions for risks and charges	2,517	185	(893)	1,809
Total	**6,101**	**232**	**(1,369)**	**4,964**

"*Provisions for special situations risks"* refer to the leasing and factoring which had previously been carried out by the Fime Group. The decrease compared to 31 December 2014 is due to the positive outcome of a Court of Appeals ruling which reduced the liability of the Company.

"*Other provisions for risks and charges"* were reduced mainly due to the use of the risk provision established at 31 December 2014, for the swaps of the outstanding debt securities. This item includes an amount of Euro 1,337 thousand accrued for the tax liabilities relative to a sold equity investment which the Group had guaranteed. In 2015, the Court of Cassation issued a ruling which reflected the appeals made against the Italian Revenue Agency for the previous ruling, and the developments are still awaited.

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

4.18. Current loans and borrowings

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due to associates	16,816	20,373	(3,557)
Guarantees issued	2,260	3,892	(1,632)
Bank loans and borrowings	836	1,202	(366)
Due to lease companies	7	5	2
Due to others	4,376	3,932	444
Current loans and borrowings	**24,295**	**29,404**	**(5,109)**

"Due to associates" contains the balance of the corresponding current accounts, which are held at market rates with remuneration set at Euribor plus a spread, in existence with the following direct or indirect subsidiaries:

- Euro 14,829 thousand with FEB-Ernesto Breda
- Euro 1,987 thousand with Breda Energia.

In regard to the "*Guarantees issued "* item, please see the comments under the item *"Current financial assets.*"

“*Bank loans and borrowings*” include amounts falling due within twelve months of the non-current loans as mentioned above.

At 31 December 2014, the item “*Due to others*” include payables due to the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali (Qualified accountantspension fund) (Euro 1,960 thousand) and the interest on the outstanding debt securities (Euro 1,972 thousand). The payable to the Cassa Nazionale Previdenza e Assistenza Ragionieri e Periti Commerciali was completely refunded in the initial months of 2015. The amount of the interests on the outstanding securities, which was the only component of the item at 31 December 2015, equals Euro 4,376 thousand. The relative coupon was paid in February 2016.

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

4.19. Trade payables

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due to suppliers	1,151	1,138	13
Due to associates	120	138	(18)
Trade payables	**1,271**	**1,276**	**(5)**

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

The amounts due to associates are almost exclusively relative to the payables to the parent’s Board of Statutory Auditors for the remuneration in 2015.

4.20. Other current liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Due to employees	213	160	53
Due to social security institutions	112	196	(84)
Tax payables	304	3,445	(3,141)
Payables due to directors	786	2,090	(1,304)
Other liabilities	1,757	1,697	60
Other current liabilities	**3,172**	**7,588**	**(4,416)**

“*Payables due to directors*” refers to the Parent and includes Euro 710 thousand for the end of mandate indemnification which had been previously provided for the Chairman.

“*Tax payables*” primarily relate to value added tax payable and direct taxes.

"*Due to employees”* include the amounts accrued but not paid as at the date of these financial statements which are increased at the reference date by the additional monthly payable for December.

"Other liabilities" include Euro 1.3 million of payables to former lease Intek customers, and refer to amounts collected as advances from customers which were not offset against receivable items.

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Deferred tax assets	7,040	8,633	(1,593)
Deferred tax liabilities	(3,564)	(1,728)	(1,836)

Deferred tax assets and liabilities	**3,476**	**6,905**	**(3,429)**

The decrease in the deferred tax assets is due to the reduction in 2017 of the IRES rate from 27.5% to 24%. This rate had been applied to the temporary differences that are expected to reverse subsequently to 2016. The increase in the deferred tax liabilities is on the other hand the result of Euro 1,630 thousand which was added to the consolidation area of Immobiliare Pictea and the allocation of the higher price paid compared to the equity.

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

At the date of these consolidated financial statements, the Group recognised deferred tax assets on prior year tax losses amounting to Euro 2.9 million on which the deferred tax assets had been recognised.

Deferred tax assets and liabilities by asset and liability item are shown below:

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec. 2015	*31 Dec. 2014*	*31 Dec. 2015*	*31 Dec. 2014*
Property, plant and equipment	-	-	(1,605)	-
Intangible assets	14	53	-	-
Investment property	162	273	-	-
Investments	-	-	(633)	(337)
Trade receivables	39	5,940	(1,320)	(1,385)
Other current receivables and assets	4,866	104	-	-
Non-current assets held for sale	166	-	-	-
Non-current loans and borrowings	36	-	-	-
Other non-current liabilities	-	-	(6)	(6)
Provisions for risks and charges	878	980	-	-
Trade payables	44	-	-	-
Other current liabilities	103	475	-	-
Deferred tax assets on equity items	44	88	-	-
Deferred tax assets on prior year tax losses	688	720	-	-
Total	**7,040**	**8,633**	**(3,564)**	**(1,728)**

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.

4.22. Transactions with other related parties

The table below shows the relations involving payables, receivables, costs and revenue with related parties. The transactions with generated these items were carried out at arm's length and market prices. Please see the comments under the individual items for information regarding the nature of the transactions.

(in thousands of Euro)	*Non-current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial assets*	*Current loans and borrowings*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in administrative compulsory liquidation	-	-	-	-	(1,987)	-	-
Culti Milano Srl	-	25	-	1,407	-	(1)	-
ErgyCapital SpA	-	333	-	4,182	-	-	-
EM Moulds Srl	-	15	-	-	-	-	-
FEB - Ernesto Breda SpA	-	16	-	-	(14,829)	-	-
Fricke Gmbh	-	-	-	-	-	-	-
Immobiliare agricola Limestre Srl	-	1	-	-	-	-	-
Inteservice Srl in liquidation	-	18	-	-	-	-	-
KME AG	-	1,517	-	29,700	-	-	-
KME Brass Germany Gmbh	-	190	-	-	-	-	-
KME Brass Italy Srl	-	15	-	-	-	-	-
KME Italy SpA	-	94	-	-	-	-	-
KME Yorkshire Ltd	-	214	-	291	-	-	-
New Cocot Srl in liquidation	175	-	-	-	-	-	-
Progetto Ryan 2 Srl in liquidation	-	100	-	-	-	-	-
Progetto Ryan 3 Srl in liquidation(formerly Culti Srl)	536	60	-	14	-	-	-
Quattroduedue SpA	-	55	-	1,514	-	-	-
Quattroduedue Holding B.V.		-	8				
Rede Immobiliare	-	-	-	196	-	-	-
Società Agr. San Vito Biogas Srl	-	185	-	-	-	-	-
Tecno Servizi	8,046	-	-	-	-	-	-
Fossati Uno Srl	2,488	-	-	-	-	-	-
Receivables for guarantees	-	-	-	2,260	-	-	-
Payables/Receivables for tax consolidation		-	1,554				
Directors' and Statutory Auditors' fees	-	-	-	-	-	(119)	(786)
	11,245	**2,838**	**1,562**	**39,564**	**(16,816)**	**(120)**	**(786)**
Total	**13,345**	**10,959**	**11,442**	**67,517**	**(24,295)**	**(1,271)**	**(3,172)**
Percentage	**84.26%**	**25.90%**	**13.65%**	**58.60%**	**69.22%**	**9.44%**	**24.78%**

(in thousands of Euro)	*Commissions on guarantees given*	*Other operating income*	*Other operating expense*	*Financial income*	*Financial expense*
Adv Mould India Lmt	-	-	-	-	-
Breda Energia SpA in liquidation	8	15	-	-	(50)
Bredafin Innovazione SpA in liquidation	8	15	-	-	-
Culti Milano Srl	-	-	-	28	-
EM Moulds Srl	24	-	-	-	-
Ergy Capital SpA	14	-	-	120	-
FEB - Ernesto Breda SpA	9	99	-	-	(494)
Idra International SA	-	-	-	113	-
Immobiliare Agricola Limestre Srl	1	-	-	-	-
Intek Investimenti Srl	-	-	-	1	-
KME AG	2,924	-	-	452	-
KME Brass France	(8)	-	-	-	-
KME Brass Germany	(8)	-	-	-	-
KME Brass Italy	13	-	-	-	-
KME France SA	2	-	-	-	-
KME Germany & CO KG Gmbh	170	-	(22)	-	-
KME Italy Srl	75	-	(5)	-	-
KME Spain SA	(7)	-	-	-	-
KME Srl	-	-	(25)	-	-
KME Yorkshire Ltd	(7)	-	-	9	-
Progetto Ryan 3 Srl in liquidation	5			50	
Quattroduedue SpA	-	15	-	28	-
Rede Immobiliare Srl	-	-	-	13	-
Tecno Servizi Srl	-	-	-	190	-
Directors' and Statutory Auditors' fees	-	-	(1,170)	-	-
	3,223	**144**	**(1,222)**	**1,004**	**(544)**
Total	**3,223**	**2,349**	**(6,258)**	**1,101**	**(6,265)**
Percentage	**100.00%**	**6.13%**	**19.53%**	**91.19%**	**8.68%**

5. Statement of comprehensive income

For comparison purposes, as indicated in paragraph 2.1, the profit or loss and other comprehensive income and the relative notes were restated. The costs and revenues relative to the previously consolidated companies as investments at the end of 2014 were reclassified in a special item "*Net result of previously consolidated assets*" the details regarding which are provided under note 5.9.

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any "atypical and/or unusual transactions" in 2015.

5.1. Net income from investment management

The breakdown of the item was as follows:

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Impaiment losses on equity investments and securities	-	(80)	80	-100.00%
Measurement of equity investments at equity	-	(3,508)	3,508	-100.00%
Impairment losses on loan assets from related companies	(1,377)	(811)	(566)	69.79%
Fair value gains on equity investments	17,275	185,777	(168,502)	-90.70%
Fair value gains on fund units and securities	105	(204)	309	-151.47%
Dividends	12	-	12	n/a
Net income from investment management	**16,015**	**181,174**	**(165,159)**	**-91.16%**

The "*Fair value gains on equity investments*" includes the fair value gain on KME AG (Euro 18,374 thousand), FEB - Ernesto Breda (Euro 3,165 thousand) and Culti Milano (Euro 2,887 thousand) and the fair value loss on ErgyCapital (Euro 983 thousand), Tecno Servizi (Euro 500 thousand) and Rede/Malpaso (Euro 5,668 thousand). Last year the item also included the effect of the adoption of the standard on investment entities (Euro 146,628 thousand) and the positive effects connected to Cobra AT (Euro 42,192 thousand).

The "*Fair value gains on fund units and securities*" was influenced positively by the investments in UCITS (Euro 418 thousand) the I2 Capital fund and the Value Secondary Investment SICAR (Euro 27 thousand). The item also includes *the negative adjustments to* the ErgyCapital warrants totalling Euro 340 thousand

The "*Impairment losses on loan assets from related companies*" refer to Progetto Ryan 3 (Euro 900 thousand), Idra International (Euro 418 thousand), Interservice (Euro 30 thousand) and Intek Investimenti (Euro 29 thousand). Conversely, the 2014 amount related to Culti Srl (now Progetto Ryan 3).

5.2. Commissions on guarantees given

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Commissions on guarantees given	3,223	4,708	(1,485)	-31.54%
Commissions on guarantees given	**3,223**	**4,708**	**(1,485)**	**-31.54%**

These refer to guarantees provided for subsidiaries and mainly refer to KME AG and its subsidiaries.

5.3. Other income

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Income from "special situations"	549	728	(179)	-24.59%
Fund management fees	1,157	1,175	(18)	-1.53%
Lease income	315	457	(142)	-31.07%
Provision of services to related companies	70	70	-	0.00%
Other	258	208	50	24.04%
Other income	**2,349**	**2,638**	**(289)**	**-10.96%**

"*Fund management fees*" regard the fees and charges collected by I2 Capital Partners SGR for the management of the I2 Capital Partners Fund, which are calculated on the amount invested, as the investment period has ended.

5.4. Personnel expenses

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Wages and salaries	(1,473)	(2,248)	775	-34.48%
Social security charges	(410)	(529)	119	-22.50%
Stock option costs	(19)	(50)	31	-62.00%
Other personnel expense	(291)	(237)	(54)	22.78%
Personnel expenses	**(2,193)**	**(3,064)**	**871**	**-28.43%**

Following is the average number of employees, referring to consolidated companies only:

	2015	*2014*	*Change*	*% Change*
Executives	4	4	-	0.00%
	23.53%	23.53%		
Clerical	13	13	-	0.00%
	76.47%	76.47%		
Total employees (average)	**17**	**17**	**-**	**0.00%**
	100.00%	100.00%		

At the end of the year, the stock option plan was closed ("Piano di Stock Option KME Group SpA 2010-2015") which provided for a maximum number of 31,000,000 options authorized by the Shareholders' Meeting, attributable up to 31 December 2015. Each option provided the right to subscribe to one ordinary share.

Two grants had been made.

The first in 2010 for 25,500,000 options gave beneficiaries the right to subscribe or purchase from the Company an equivalent number of Intek Group S.p.A. ordinary shares at the unit price of € 0.295 with a fair value per option of Euro 0.073.

The second in 2012 for a further 3,500,000 *stock options* for a subscription value of Euro 0.326 per share, with a fair value for each share of Euro 0.060.

The evolution of the stock option plan up to 31 December 2015 is as follows:

No. of options	*31 Dec. 2015*	*31 Dec. 2014*
Options existing at 1 January	**29,000,000**	**29,000,000**
Options expired during the year	(29,000,000)	-
Existing options at end of the year	**-**	**29,000,000**
of which exercisable	-	*27,833,333*

5.5. Amortisation, depreciation and impairment losses

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Depreciation	(261)	(110)	(151)	137.27%
Amortisation	(2)	(1)	(1)	100.00%
Reversal of impairment losses on investment property	(418)	(203)	(215)	105.91%
Impairment losses	(202)	-	(202)	n/a
Amortisation, depreciation and impairment losses	**(883)**	**(314)**	**(569)**	**181.21%**

The impairment losses refer to goodwill and arise from the realization of part of the relative contingent assets.

5.6. Other operating costs

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,569)	(1,669)	100	-5.99%
Professional services	(2,429)	(4,240)	1,811	-42.71%
Travel costs	(254)	(230)	(24)	10.43%
Other personnel expenses	(65)	(8)	(57)	712.50%
Legal and corporate advertising	(270)	(114)	(156)	136.84%
Electricity, heating, postal and telephone costs	(195)	(139)	(56)	40.29%
Insurance premiums	(107)	(114)	7	-6.14%
Training and seminars	(3)	(1)	(2)	200.00%
Property leases	(374)	(552)	178	-32.25%
Maintenance	(160)	(105)	(55)	52.38%
Leases and rentals	(125)	(137)	12	-8.76%
Various tax charges	(228)	(534)	306	-57.30%
Membership fees	(323)	(229)	(94)	41.05%
Other net costs	(165)	41	(206)	-502.44%
Donations	(42)	(238)	196	-82.35%
Bank fees	(24)	(17)	(7)	41.18%
	(6,333)	*(8,286)*	*1,953*	*-23.57%*
Releases of provisions	478	25	453	n/a
Accrual to provision for risks	(233)	(3,350)	3,117	-93.04%
Losses on receivables	(170)	-	(170)	n/a
Other operating costs	**(6,258)**	**(11,611)**	**5,353**	**-46.10%**

For the comment on the item "*Releases of provisions*" please see the note to *"Provisions for risks and charges"*.

5.7. Financial income and expense

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Interest income from related companies	*1,004*	*518*	486	93.82%
Other Financial income and interest	*97*	*182*	(85)	-46.70%
Total financial income	1,101	700	401	57.29%
Interest paid to related companies	*(544)*	*(434)*	(110)	25.35%
Loan interest expense	*(116)*	*(713)*	597	-83.73%
Interest expense on securities issued	*(5,378)*	*(7,194)*	1,816	-25.24%
Other interests expense	*(49)*	-	(49)	n/a
Other financial expense	*(178)*	*(2,286)*	2,108	-92.21%
Total financial expense	(6,265)	(10,627)	4,362	-41.05%
Net financial expense	**(5,164)**	**(9,927)**	**4,763**	**-47.98%**

"Interest expense on securities issued" include Euro 847 thousand which refers to the "SFP Intek Group 2012/2017 equity instruments" and the "Intek Group 2012-2017 bonds" and Euro 4,531 thousand to "Intek Group 2015-2020 bonds".

The reduction in "*Loan interest expense*" is due to the complete repayment in 2014 of all the Intek Group loans from third parties.

In 2014, "*Other financial expense*" included Euro 1,200 thousand which reflected the effects of the transaction for the closure of the options on the Cobra AT shares and Euro 892 thousand which reflects the accrual to the provision for risks for the premium paid to the participants in the public exchange offer.

The interest income and expense from/to related companies refer to the debit and credit positions described under current and non-current financial assets and non-current financial liabilities. The breakdown is provided in the paragraph regarding related parties.

5.8. Current and deferred taxes

(in thousands of Euro)	*2015*	*2014*	*Change*	*% Change*
Current taxes	930	(1,160)	2,090	-180.17%
Deferred taxes	(1,850)	(916)	(934)	101.97%
Current and deferred taxes	**(920)**	**(2,076)**	**1,156**	**-55.68%**

Since 2007, Intek Group S.p.A. and most of its Italian subsidiaries have 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 taxableprofit.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2015*
Profit before taxes	7,089
Theoretical tax charge (tax rate used 31.4%)	**(2,226)**
Reconciliation:	
Other effects:	
- Non-taxable income	2,676
- Impairment losses (reversal of impairment losses) on investments and securities	(909)
- Prior year tax losses	(650)
- Other	189
Taxes recognised in profit or loss	**(920)**

5.9. Net result from previously consolidated assets

This item includes revenues and costs of consolidated assets up to 1 December 2014:

(in thousands of Euro)	
Revenue from sales and services	2,027,954
Change in inventories of finished and semi-finished products	(2,037)
Capitalised internal work	1,506
Other operating income	99,478
Purchases and changes in raw materials	(1,488,665)
Personnel expenses	(288,806)
Amortisation, depreciation and impairment losses	(38,809)
Other operating costs	(277,175)
Financial income expense	(28,056)
Taxes	(10,953)
Net result from previously consolidated assets	**(5,563)**

6. *Other information*

6.1. *Financial instruments by category*

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Financial assets recognised at fair value through profit or loss	484,916	443,945	40,971
Held-to-maturity investments	-	-	-
Loans and receivables	80,405	85,802	(5,397)
Available-for-sale financial assets	-	-	-
Financial liabilities recognised at fair value through profit or loss	(2,411)	(3,892)	1,481
Financial liabilities at amortised cost	(136,230)	(95,016)	(41,214)
Financial instruments by category			

6.2. *Financial instruments by financial statement item*

Financial instruments and reconciliation with financial statements items at 31 December 2015:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	455,275	-	455,275	-
Non-current financial assets	13,345	13,245	100	-
Other non-current assets	486	486	-	-
Trade receivables	10,959	10,959	-	-
Other current receivables and assets	11,442	6,792	-	4,650
Current financial assets	67,517	37,976	29,541	-
Cash and cash equivalents	10,947	10,947	-	-
Total financial assets	**569,971**	**80,405**	**484,916**	**4,650**
Non-current loans and borrowings	(108,419)	(108,268)	(151)	-
Other non-current liabilities	(1,788)	(1,788)	-	-
Current loans and borrowings	(24,295)	(22,035)	(2,260)	-
Trade payables	(1,271)	(1,271)	-	-
Other current liabilities	(3,172)	(2,868)	-	(304)
Total financial liabilities	**(138,945)**	**(136,230)**	**(2,411)**	**(304)**

The carrying amounts of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

There are three levels of fair value:

- Level 1 - listed prices on an active market for the asset or liability to be measured;
- Level 2 – inputs other than the listed prices indicated in Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – inputs not based on observable market data.

The analysis of the assets and liabilities by fair value level follows below:

(in thousands of Euro)	*Total Fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	455,275	6,294	-	448,981
Non-current financial assets	100	100	-	-
Current financial assets	29,541	27,270	-	2,271
Non-current loans and borrowings	(151)	(151)	-	-
Current loans and borrowings	(2,260)	-	-	(2,260)
Fair value levels				

The investments in ErgyCapital and shares and warrants and UCIs fall under Level 1 financial instruments.

6.3. Notional amount of financial instruments and derivatives

There are no derivative financial instruments recognised in the statement of financial position at 31 December 2015.

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 with non-Group companies at the reporting date was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Impairment lossesas at 31 dec 2015*	*Carrying amount*
Not yet due	381	-	381
Over 12 months past due	1,433	(1,113)	320
Trade receivables	**1,814**	**(1,113)**	**701**

There were no movements in the year in theallowance for impairment .

6.5. Exposure to currency risk

At 31 December 2015, there were no assets or liabilities in a foreign currency.

6.6. Exposure to interest rate risk

The Group's interest rate structure of interest-bearing financial instruments at 31 December 2015 was as follows:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*
Financial assets	-	-
Financial liabilities	(105,165)	(50,722)
Fixed-rate instruments	**(105,165)**	**(50,722)**
Financial assets	50,549	17,806
Financial liabilities	(25,289)	(23,062)
Floating rate instruments	**25,260**	**(5,256)**

An increase (or decrease) of 50 interest rate *basis point* at the reporting date would produce a decrease (increase) in equity and profit of approximately Euro 0.07 million (Euro 0.2 million in 2014). The analysis was carried out assuming that the other variables remained constant and was carried out using the same assumptions for 2014.

6.7. Exposure to liquidity risk

Liquidity risk can arise from the inability to raise financing for operating activities as and when required. The holding company coordinates the cash inflows and outflows for the consolidated companies.

Annexes to the notes

Reconciliation of the profit of the Parent Intek Group SpA and the consolidated profit for the year ended 31 December 2015

(in thousands of Euro)	*31 Dec. 2015*
Profit for the years of Intek Group SpA separate financial statements	**4,041**
Profit for the year of subsidiaries (1)	(5,011)
Reversal of impairment losses on investments	17,500
Elimination of dividends received	(16,425)
Measurement of investments in indirect subsidiaries at fair value	5,054
Measurement of trading investments at fair value	1,073
Other	(63)
Net Loss attributable to owners of the Parent	**6,169**
2015 pro-quota profits of the parent	
(1) I2 Capital Partners SGR	18
I2 Real Estate	(916)
KME Partecipazioni	(4,052)
Immobiliare Pictea	(61)
	(5,011)

Reconciliation between the equity of Intek Group SpA and the consolidated equity at 31 December 2015:

(in thousands of Euro)	*31 Dec. 2015*
Parent's Equity including profit of the year	**449,184**
Measurement of ErgyCapital (shares and warrants) at fair value	(1,331)
Measurement of Culti Milano at fair value	2,887
Measurement of securities at fair value	1,026
Excess cost allocation on property (net of tax effect)	4,150
Difference between the consolidated companies' equity and their carrying amounts	(8,391)
Group consolidated Equity including profit of the year	**447,525**

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS PARA.5 OF ITALIAN LEGISLATIVE DECREE 58/98 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

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

   of administrative and accounting procedures for the preparation of the Consolidated Financial statements during 2015, including the policies which the company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the consolidated financial statements:
      a) were prepared in compliance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The accounting standard on Investment Entities (which amended IFRS 10 and 12 and IAS 27, as introduced by EU Regulation no. 1174/2013) was applied to these financial statements;
      b) reflect the balances recorded in the companies' books and accounting records;
      c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer and all the consolidated companies;

   3.2 the Directors' Report contains a reliable analysis of the operating performance and results of operations as well as of the situation of the issuer and its consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 29 April 2016

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on Consolidated financial statements at 31 December 2015

Though not mandatory, as every year, as part of its supervisory duties in observance of the law and the articles of association which it is required to follow, the Board of Statutory Auditors presents a short report on the consolidated financial statements as at 31 December 2015.

Moreover, this report is prepared according to the principle that the arguments or documents submitted by the directors to the Shareholders' Meeting are examined by the Board of Statutory Auditors, which reports to the Shareholders' Meeting itself.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements as at and for the year ended 31 December 2015, and shall be considered as referred to in this report.

ACCOUNTING STANDARDS

As already fully indicated in the report to the financial statements for last year, qualification as an investment entity as required by paragraph 27 of IFRS 10 resulted in a significant change in the representation of the consolidated financial statements which differs from the separate financial statements only insofar as the equity investments which are not measured at fair value and consolidated on a line by line basis, which certainly constitute the equity investments which, in accounting terms, have the least impact on the consolidated financial statements.

Conversely, the investments in subsidiaries which are not instrumental are no longer consolidated on a line by line basis, though they are measured at fair value.

In particular, the equity investments measured at fair value compared to those consolidated on a line by line basis are the following:

List of companies consolidated with the line-by-line method:

Name	Registered office	Currency	Share capital	Activity	% ownership direct	% ownership indirect
Intek Group S.p.A.	Italy	Euro	314,225,010	Holding company	Parent	
KME Partecipazioni SpA	Italy	Euro	47,900,000	Holding company	100.00%	
I2 Capital Partners Sgr SpA	Italy	Euro	1,500,000	Management of investment funds.	100.00%	
I2 Real Estate Srl	Italy	Euro	110,000	Real Estate	100.00%	
Immobiliare Pictea Srl	Italy	Euro	80,000	Real Estate	100.00%	

List of investee companies measured at fair value:

(in thousands of Euro)	*31 Dec. 2015*	*31 Dec. 2014*	*Change*
Investments in subsidiaries and associates	447,620	428,674	18,946
Investments in other companies	12	12	-
Other funds units	7,389	7,738	(349)
Other investments	254	1,436	(1,182)
Investments in equity interests and fund units	**455,275**	**437,860**	**17,415**

The breakdown of the item was as follows:

Name	*Registered office*	*Activity*	*Percentage of interest*	*31/12/2014*	*Increases*	*Decreases*	*Positive change in fair value*	*Negative change in fair value*	*31/12/2015*
KME AG	Osnabruck (D)	Industrial	100.00%	391,615	-	-	18,374	-	409,989
ErgyCapital SpA *(*)*	Florence	Alternative Energy	46.37%	6,970	-	-	-	(930)	6,040
FEB - Ernesto Breda SpA	Milan	Holding company	86.55%	15,335	-	-	3,165	-	18,500
KME Beteiligungsgesellschaft mbH	Osnabruck (D)	Real Estate	100.00%	1,000	-	-	-	-	1,000
Tecno Servizi Srl	Varedo	Real Estate	100.00%	2,500	-	-	-	(500)	2,000
Fossati Uno Srl	Milan	Real Estate	35.00%	-	407			-	407
Idra International SA	Luxembourg		100.00%	-	-	-	-	-	-
Inteservice Srl in liq.	Naples		100.00%	-					-
Malpaso Srl	Milan	Real Estate	100.00%	30	100	-	-	(3,278)	(3,148)
Rede Immobiliare Srl *(**)*	Milan	Real Estate	48.98%	7,900	-	-	-	(2,390)	5,510
Progetto Ryan 2 Srl in liq.	Milan	In liquidation	88.00%	400	-	-	-	-	400
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	20	-	-	-	-	20
Progetto Ryan 3 in liquidazione *(***)*	Milan	Furniture	100.00%	2,500	1,111	-	-	-	3,611
Culti Milano Srl	Milan	Furniture	100.00%	4	-	-	2,887	-	2,891
Il Post Srl	Milan	Publishing	18.80%	400	-	-	-	-	400
Total Subsidiaries and Associates				**428,674**	**1,618**	**-**	**24,426**	**(7,098)**	**447,620**
Other investments				**12**	-	-	-	-	12
Total investments				**428,686**	**1,618**	**-**	**24,426**	**(7,098)**	**447,632**
I2 Capital Partners Fund				7,704	304	(680)	16		7,344
Value Secondary Investment SICAR				34	-	-	11	-	45
Total Fund Units				**7,738**	**304**	**(680)**	**27**	**-**	**7,389**
Warrant ErgyCapital				560	-	-	-	(306)	254
Advances for equity investments				876	-	(876)	-	-	-
Total Other investments				**1,436**	**-**	**(876)**	**-**	**(306)**	**254**
Investments in equity interests and fund units				**437,860**	**1,922**	**(1,556)**	**24,453**	**(7,404)**	**455,275**

Regarding the aforementioned fair value, as indicated in the report to the separate financial statements, the Board specifically verified that it has been carried out with the support of an independent and qualified advisor, which was Ernst Young Financial-business Advisor SpA.

The information base for the aforementioned measurements insofar as KME AG consists of the income and equity forecasts within the 2016-2020 plan (the "Plan"), which has been compiled and approved by the competent Board of Directors, the essential data of which is contained in the report of the Governing Body regarding the consolidated financial statements.

In order to represent the differences between the values of the separate and Consolidated Financial statements, it is useful to provide the reconciliation statements of the two accounting documents:

(in thousands of Euro)	*31 Dec. 2015*
Result for the period of Intek Group SpA separate financial statements	**4,041**
Result for the period of subsidiaries (1)	(5,011)
Reversal of impairment losses on investments	17,500
Elimination of dividends received	(16,425)
Measurement at fair value of indirectly owned subsidiaries.	5,054
Measurement at fair value of trading investments	1,073
Other	(63)
Loss attributable to owners of the Parent	**6,169**
Pro-quota results for subsidiaries 2015	
(1) I2 Capital Partners SGR:	18
I2 Real Estate	(916)
KME Partecipazioni	(4,052)
Immobiliare Pictea	(61)
	(5,011)

Reconciliation between the equity of Intek Group SpAand the Consolidated equity at 31 December 2015

(in thousands of Euro)	*31 Dec. 2015*
Parent's Equity including result of the year	**449,184**
Measurement at fair value of ErgyCapital (shares and warrants)	(1,331)
Measurement of Culti Milano at fair value	2,887
Measurement at fair value of securities	1,026
Allocation of excess cost on the property (net of the tax effect)	4,150
Difference between the equity of the consolidated companies and their book value	(8,391)
Group consolidated Equity including result of the year	**447,525**

ACCOUNTING DOCUMENTS WHICH COMPRISE THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 29 April 2016, provided the Directors and Statutory Auditors with a statement, in part for the purposes of article 154-bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2015, and their compliance with international financial reporting standards.

Exhaustive information has been provided in the Consolidated financial statements (accounting standards, notes and annexes).

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the financial statements.

Information on the most important events, related party and/or intercompany transactions in 2015, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the separate financial statements for the year.

The Independent Auditors KPMG S.p.A., with which the Board of Statutory Auditors had the necessary contact, issued an unqualified opinion on the financial statements and disclosure systems for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position and results of operations at 31 December 2015.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Milan, 29 April 2016

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

The standing auditor

(signed Francesca Marchetti)

The standing auditor

(signed Alberto Villani)

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

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Intek Group (the "group"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Intek Group as at and for the year ended 31 December 2015.

Milan, 29 April 2016

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit