INTEK GROUP

ANNUAL FINANCIAL REPORT
YEAR 2016

Board of Directors
of 26 April 2017

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

Contents

Solidarity

The Dynamo Camp Onlus Association offers Recreational Therapy programs free of charge to children and teenagers aged 6 to 17 years, affected by serious or chronic illnesses, mainly oncohaematological, neurological and diabetes, whether they are in treatment or in the post hospitalization period. Dynamo Camp's mission is to offer these children the opportunity to once again simply "be kids". Opened in 2007 in Limestre, in the province of Pistoia, the Camp hosts over 1,300 children and 240 families free of charge during vacation and recreation periods, assisting them to find peace, carefreeness and trust in themselves.

In 2016, in its tenth year of operation, Dynamo Camp hosted **1,300 children and 240 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 **12,800 children** have been reached from 2010 to date.

The objective for the future is to continue to offer Recreational Treatment to as many children and families as possible and, to achieve this, our efforts are concentrated on various levels: increasing the number of eligible pathologies, in particular serious neurological pathologies that require increasingly complex handling, increasing accessibility, in addition to specific interventions such as adaptation of the program to children who are sight impaired and the introduction of augmentative communication symbols; the extension of the network of collaboration with hospitals and associations; quality training to the staff and over 700 volunteers who donate their time, intelligence and hearts each year; annual increase in the support instruments provided to the individuals and the companies who are always at our side.

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, **214 ambassadors**, persons who support Dynamo Camp and promote its cause, throughout Italy, have organised **165 fund raising** initiatives, building a network of **15,000 persons** and **557 persons** from all over Italy who participated in the fourth edition of **Dynamo Team Challenge**, collecting **2,597 donations** totalling **Euro 262,765** for Dynamo Camp.

In the 10 years of its operation, over 24,000 people, including ailing children and entire families have laughed, played and challenged their limits thanks to the Dynamo Camp Recreational Therapy.

Company Bodies

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

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

A. Independent Director
B. Executive Director
C. Member of the Control and Risk Committee (*Giuseppe Lignana, Chairman*)
D. Appointed by the ordinary Shareholders' Meeting of 31 May 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

Secretary of the Board of Directors	Roberto De Vitis
Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	Deloitte & Touche S.p.A.
Common Representative of the Savings Shareholders	Simonetta Pastorino
Common Representative of the "Intek Group S.p.A. 2015/2020 Bonds" Holders	Rossano Bortolotti
Common Representative of the "Intek Group S.p.A. 2012/2017 Convertendo" Bondholders	Elena Pagliarini

2016 Directors' Report on operations

Dear Shareholders,

During 2016, Intek Group S.p.A. (hereinafter also referred to as "**Intek Group"** or the "**Company**") carried on managing its investments in such a way as to ensure their appreciation.

Intek Group is a holding company that owns diversified equity investments and its main objective is to increase the value of its individual assets, which consist of companies, business units or individual assets, with particular focus on their ability to generate cash flows or generate value over time.

Intek Group invests with a medium-term horizon, with the objective of creating and maintaining a flexible portfolio of assets. Its investment cycles are shorter than in the past.

The Company takes advantage of the disinvestment opportunities offered by the market, focusing its attention on high-performing and promising sectors while exiting segments, whether industrial or financial, with limited potential for appreciation or a long realization time not in line with the Group's operating policies.

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 economic results for the period, but also and above all the changes in value over time recorded by the individual assets and by their capacity to create value for shareholders.

The management of the Company is focused more on ensuring that the parent company's separate financial statements represented the equity and income structure as well as the Company's economic development in a more effective way compared to the consolidated financial statements. The separate financial statements are therefore the element on which our communications of corporate results are based.

This annual report for 2016 is presented, on an ongoing basis compared to the separate and consolidated financial statements as at 31 December 2015 and the financial statements as at 30 June 2016, employing the accounting standards required for investment entities. This requires fair value measurement 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 investment is KME AG, holding company of the KME Group, which operates in the copper sector.

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 as requested by art. 20 of Leg. Decree 58/98.

Furthermore, equity investments held by the Company following the merger of KME Partecipazioni S.p.A. (effective as from 31 May 2016), the most significant of which are ErgyCapital S.p.A. and Culti Milano S.p.A., are also defined as not providing investment-related services or activities, and are therefore not consolidated.

2016 saw the following main activities:

(i) **The restructuring of the copper sector continued**.

(a) In July 2016, loan contracts with the pool of banks led by Deutsche Bank were renewed, as were the factoring contracts existing with Mediocredito Italiano S.p.A. and Factofrance (formerly GE Factofrance). This provided a significant confirmation of the support that the Group – now completing the period of transition resulting from its organisational restructuring – enjoys from banks. At the beginning of 2017, the credit lines available from pools increased by Euro 30 million, with the addition of Raiffeisen Bank International, an Austrian bank;

(b) with regard to operations carried out in France, the agreements made with the Cupori Group, a Finnish operator in the copper tube sector, were executed. These agreements concerned the production plants in Givet and Niederbruck, as well as the one in Serravalle Scrivia. The operations to be sold to the Cupori Group produce a consolidated turnover per year of approximately Euro 270 million employing 700 persons, and generated significant losses for the KME Group in previous years;

(c) in July 2016, an agreement was reached with the Italian trade union representatives regarding the flexible usage of social safety measures in a manner that is in line with the dynamic relaunching of the Italian operations. We expect that these actions will be able to structurally lower KME Group’s break-even point, improving its competitiveness in the market.

(d) the resizing of the headquarters based in Florence continued, with a further reduction in personnel;

(e) as for the Fornaci di Barga production plant, we put a new furnace into operation. This is smaller than the previous one and allows to bring the production that had been temporarily transferred to Osnabrueck back to the Fornaci di Barga plant. boosting efficiency in terms of both manufacturing operations and the procurement of scrap.

For further details regarding the activities of KME Group, and specifically the project to expand in China by setting up a new production plant for rolled products for connectors, please see the chapter covering the Sector activity.

(ii) **Simplification and reorganisation of the Group’s corporate structure.**

Optimisation of cash flows, aimed at containing operating costs and simplification of the organisational structure, streamlining the ownership structure and eliminating redundant functions, carried out/to be carried out also through the following mergers:

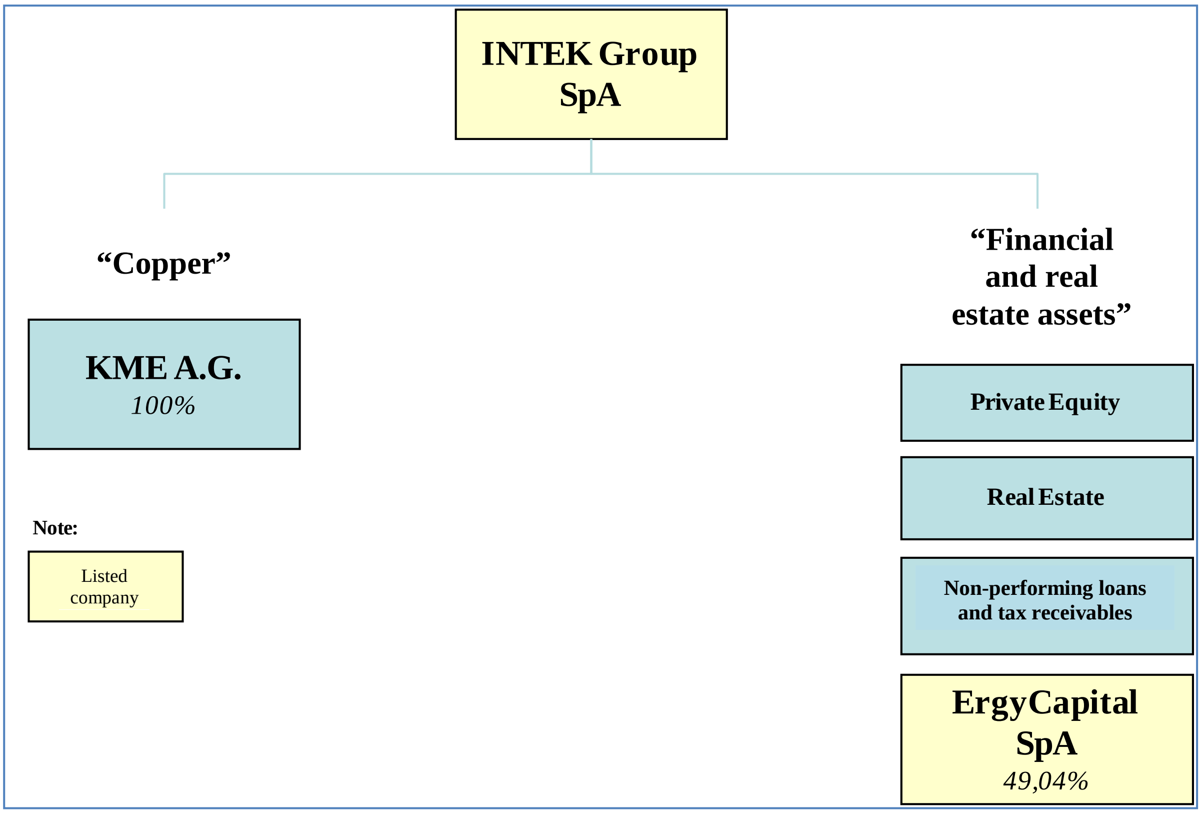
(a) at the end of May 2016, with accounting and tax effect from 1 January 2016, the merger by incorporation of the 100%-owned subsidiary KME Partecipazioni into Intek was finalised. This merger made it possible to reduce costs and recognise the equity investments held by the merged company, the most important of which are ErgyCapital and Culti Milano, directly under Intek Group;

(b) in December 2016, as the conditions which it was subject to were fulfilled, FEB – Ernesto Breda S.p.A. (hereinafter referred to as “**FEB**”) was merged into Intek Group, which as a result also acquired the equity interest in Breda Energia S.p.A. in liquidazione (under liquidation);

(c) in January 2017, the Boards of Directors of Intek Group and ErgyCapital approved the guidelines for the merger by incorporation of the latter into the former; the merger plan will be submitted to the relevant Boards of Directors for approval by early May;

(iii) **the operations of I2 Capital Partners Fund**, of which Intek Group holds 19.15%, are focused on the progressive realisation of investments, and in 2016 allowed for investor redemptions of some Euro 16.0 million (of which Euro 3.1 million belonging to Intek Group) connected to investments in Benten Srl, Isno 3 Srl and Safim Factor S.p.A. In the first quarter of 2017, the fund's end date was extended by one year to July 2018.

Summary of the Group's corporate structure at 31 December 2016



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

Intek Group is active in the following investment sectors:

- the traditional "copper" sector which include production and marketing of the semi-finished goods in copper and copper-alloys, which is handled by the German subsidiary KME AG;
- the "financial and real estate assets" sector, which includes the private equity activity which is carried out mainly through the closed-ended investment fund I2 Capital Partners (the"Fund") and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate. The equity investment in ErgyCapital is included under financial and real estate assets.

As for financial and real estate operations, the Company continued with its programmes aimed at accelerating the gradual sale of the assets held. In 2016, besides the amounts paid by the I2 Capital Partners fund, the Group received the following amounts:

- Euro 1.8 million from the former Fime and Isno 2 operations;
- Euro 1.8 million plus interest arising from tax receivables.

In 2017, the Group collected Euro 0.7 million in tax receivables.

Following the merger with FEB, additional receivables of Euro 3.3 million payable to Intek by the merged entity were reversed.

As for the private equity activity, the future programmes focus on maximizing the value of the interests held by the Fund, whose investment period ended in late July 2012 and was extended for further 12 months, up until July 2018.

As for ErgyCapital, the Group is involved in managing assets through a constant focus on the cash generation of the plants in operation aiming to constantly reduce the net financial position, monitoring and lowering operating costs.

As already indicated, also in light of the failure to achieve the aggregation and integration operations with third party operators, in January 2017, the guidelines for a merger by incorporation of ErgyCapital S.p.A. into Intek Group were approved.

It should be noted that this sector was adversely affected in 2016 and in previous years 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 Company Intek Group S.p.A

In the past, Intek Group invested with a medium-term horizon, combining its entrepreneurial spirit with a solid financial structure. Its strategy aims at a flexible portfolio, with further reduced investment cycles compared to previous years and faster cash generations.

The choice made by management in allocating financial resources rewards those sectors which appear high-performing and promising while facilitates 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, enhances the value of specific assets, and manages extraordinary operations involving the subsidiaries.

The Intek Group's financial highlights as at 31 December 2016, in comparison with 31 December 2015, can be summarised as shown below:

Condensed Separate Statement of Financial Position				
(in thousands of Euro)	*31 Dec. 2016*		*31 Dec. 2015*	
Copper	**454,616**	**86.99%**	**413,317**	**85.20%**
Financial and real estate assets				
Private Equity	*6,209*		*8,580*	
Non-operating assets	*7,176*		*11,058*	
Real Estate/Others	*25,341*		*23,099*	
Ergy Capital/Other services	*21,411*		*21,549*	
Total financial and real estate assets	**60,137**	**11.51%**	**64,286**	**13.25%**
Other assets/liabilities	**7,836**	**1.50%**	**7,493**	**1.54%**
Net investments	**522,589**	**100.00%**	**485,096**	**100.00%**
Outstanding SFP (equity financial instruments) and bonds (*)	*(105,379)*		*(105,164)*	
Net cash from third parties (**)	*15,981*		*39,552*	
Net financial debts due to third parties	**(89,398)**		**(65,612)**	
Cash investments in KME	*9,000*		*29,700*	
Net financial debt of the holding company due to third parties	**(80,398)**	**15.38%**	**(35,912)**	**7.40%**
Total equity	**442,191**	**84.62%**	**449,184**	**92.60%**

Notes:

- *In the table, investments are expressed net of any financial receivable/payable transactions existing with Intek Group.*
- *(*) including accruing interests.*
- *(**) following the merger by incorporation of KME Partecipazioni, the item "Net cash from third parties" as at 31 December 2015 was restated to include the item "Net cash of KME Participazioni", stated separately in the financial statements as at that date.*

Investments

The Net investments held by the Company amounted to Euro 522.6 million as at 31 December 2016 (Euro 485.1 million at the end of 2015), of which 87% were in the “copper” sector and the remaining in financial and real estate assets.

The increase in the value of the investments is due to the financial support granted to subsidiaries and affiliates during the period under review, in particular through the medium-term loan granted to KME AG (Euro 35 million).

The decrease in the “Private Equity” sector is connected to the distributions received from the I2 Capital Partners fund, while the “Non-operating assets” sector decreased due to the merger of FEB as well as to the profit taking of the former Isno 2 positions and the collection of tax receivables.

“ErgyCapital/Other Services” was negatively affected by the decline in the share price of ErgyCapital (Euro 1.5 million), which was offset by new investments in Culti Milano (subscription to capital increase).

Equity

The holding company's equity amounted to Euro 442.2 million, compared to Euro 449.2 million as at 31 December 2015; the decline was attributable for Euro 4.4 million to the result for the period and for Euro 2.5 million to the accounting impact of the two above-mentioned mergers.

The book value of equity per share amounted to Euro 1.13 compared to Euro 1.16 at the end of December 2015.

The Share Capital as at 31 December 2016, unchanged compared to 31 December 2015, was Euro 314,225,009.80, subdivided into 345,506,670 ordinary shares and 50,109,818 savings shares. The shares have no par value.

As at 31 December 2016, Intek Group held 5,713,572 ordinary treasury shares (1.65% of the category capital) and 11,801 own savings shares (equal to 0.024% of the category capital). During the year, the Group used 2,006,368 own ordinary shares in the stock swap related to the FEB merger.

Financing activities

Net financial debt of the holding company to third parties (including both Intek Group and KME Partecipazioni and excluding intra-group loans) amounted to Euro 35.9 million as at 31 December 2015. As at 31 December 2016, this indicator was equal to Euro 80.4 million. The increase in debt is connected to the financial support given to the various subsidiaries classified as investments, in particular KME AG.

There are no financial payables to third parties except for the bonds issued in February 2015.

At the end of December 2016, Intek had cash and cash equivalents of Euro 13.9 million, a portion of which was employed in shares of UCIs (Euro 4.8 million).

The Intek Group's reclassified net financial position as at 31 December 2016, compared with 31 December 2015, is broken down as follows:

Reclassified Net Financial Position			
(in thousands of Euro)		*31 Dec. 2016*	*31 Dec. 2015*
Cash and cash equivalents		(9,216)	(9,147)
Other financial assets		(6,775)	(27,574)
Current financial receivables from subsidiaries		(23,966)	(43,750)
(A) Net financial assets	**(A)**	**(39,957)**	**(80,471)**
Short-term financial payables to third parties		4,395	4,381
Short-term financial payables to subsidiaries		11,812	23,762
(B) Short-term financial payables	**(B)**	**16,207**	**28,143**
(C) Short-term net financial position	**(A) - (B)**	**(23,750)**	**(52,328)**
Long-term financial payables		4	9
Intek Group 2015/2020 bonds		100,990	100,789
(D) Medium- to long-term financial payables		**100,994**	**100,798**
(E) Net financial position	**(C) - (D)**	**77,244**	**48,470**
Non-current financial receivables from subsidiaries		(35,722)	(711)
Non-current financial receivables from banks		-	(2,000)
(F) Non-current financial receivables		**(35,722)**	**(2,711)**
(G) Reclassified net financial position	**(E) + (F)**	**41,522**	**45,759**

Notes:

- *For better comparability, the data as at 31 December 2015 have been restated to include the data of KME Partecipazioni.*
- *(E) Definition pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006 in application of the CESR recommendations of 10 February 2005.*

The **Income statement** below has been reclassified, with indication of the non-recurring income and expenses and costs of investing activities.

Reclassified Income Statement		
(in thousands of Euro)	*2016*	*2015*
Fair value changes and other gains/losses from investing activities	(115)	13,813
Costs of investing activities	(281)	(578)
Gross profit/(loss) from investments	**(396)**	**13,235**
Commissions receivable on guarantees given (a)	4,005	4,210
Net management costs (b)	(4,161)	(4,546)
Overheads (a) - (b)	*(156)*	*(336)*
Operating profit/(loss)	**(552)**	**12,899**
Net financial expense	**(3,612)**	**(5,526)**
Profit/(Loss) before gains/(losses) on investments and non-recurring items	**(4,164)**	**7,373**
Non-recurring income/(expenses)	(1,054)	(2,551)
Profit/(Loss) before taxes	**(5,218)**	**4,822**
Taxes for the period	777	(782)
Net profit/(loss) for the period	**(4,441)**	**4,040**

The Group continues curbing net overheads, which remain in line with commission revenues.

Also the net financial expense declined because of the rising interest income from loans to group companies.

Non-recurring income/(expenses) comprise, among other things, Euro 0.4 million in costs associated with the mergers (including those incurred by the merged entities up to the effective date of the merger) and Euro 0.2 million in costs related to holders of savings shares.

Cash flows for the years 2015 and 2016 are summarized as follows:

Statement of Cash Flows - indirect method			
(in thousands of Euro)		*2016*	*2015*
(A) Cash and cash equivalents at the beginning of the period		**7,785**	**736**
Profit/(Loss) before taxes		(5,218)	4,822
Amortisation and depreciation of intangible assets and property, plant and equipment		63	67
Impairment of non-current, non-financial assets		798	202
Impairment /(Reversal of impairment) of current and non-current financial assets		(388)	2,950
Changes in pension provisions, post-employment benefits and stock options		(1)	(13)
Changes in provisions for risks and charges		(460)	(245)
(Increase)/Decrease in equity investments		(1,354)	(100)
(Increase)/Decrease in other financial investments		22,245	(2,602)
Increase/(Decrease) in financial payables to related parties		(387)	19,802
(Increase)/Decrease in financial receivables from related parties		(15,227)	(32,652)
Dividends received		-	(16,425)
(Increase)/Decrease in current receivables		(1,749)	133
Increase/(Decrease) in current payables		(27)	(1,146)
Taxes paid during the year		-	962
(B) Total Cash flows from/(used in) operating activities		**(1,705)**	**(24,245)**
(Increase) in non-current intangible assets and property, plant and equipment		(44)	(154)
Decrease in non-current intangible assets and property, plant and equipment		75	-
(Increase)/decrease in instrumental equity investments		-	(10,022)
Increase/Decrease in other non-current assets/liabilities		(93)	-
(C) Cash flows from/(used in) investing activities		**(62)**	**(10,176)**
(Purchase)/Sale of treasury shares		-	(835)
Bond issue and early redemption		-	39,796
Increase/(Decrease) in current and non-current financial payables		209	2,509
(Increase)/Decrease in current and non-current financial receivables		671	-
(D) Cash flows from/(used in) financing activities		**880**	**41,470**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(887)**	**7,049**
(F) Cash contributed by merged companies		**2,318**	**-**
(G) Cash and cash equivalents at the end of the period	**(E) + (F)**	**9,216**	**7,785**

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 period ended 31 December 2016 in order to allow some investee companies to complete preparation of the relevant draft 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 sectors that the Group is involved in.

Performance in the various investment sectors

Below we present the performance of the main investments existing as at 31 December 2016, which consist of the following main equity investments: KME AG, ErgyCapital S.p.A. and the direct investment by Intek Group in the I2 Capital Partners fund (19.15%).

In 2016, following the merger into Intek Group of FEB and KME Partecipazioni, the following equity investments became direct investments:

- Ergycapital S.p.A., Culti Milano S.p.A. and Progetto Ryan 3 Srl in liquidazione from the merger of KME Partecipazioni;
- Breda Energia S.p.A. in liquidazione from the merger of FEB.

We reiterate that the equity investments held exclusively for trading are measured at fair value through profit or loss.

The other equity investments, on the other hand, have been considered to be instrumental to the Company's operations and include: I2 Capital Partners SGR S.p.A., I2 Real Estate Srl and Immobiliare Pictea Srl. Pursuant to the application of the accounting standard on Investment Entities, these are the only companies included in the scope of consolidation together with the parent company Intek Group. With regard to the above, following the comment on the investments, we provide a brief summary of the equity, income and cash flow performance in 2016.

* * *

Copper sector

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. 2016*	*31 Dec. 2015*
KME AG Investment	411,546	409,988
KME Beteiligungsgesellsch.mbH Investment	1,300	1,000
Financial receivables from KME AG	35,000	-
Other	6,770	2,329
Total "Copper"	**454,616**	**413,317**

The fair value as at 31 December 2016 was estimated at Euro 411.5 million, against Euro 410.0 million as at 31 December 2015.

Due to their wide field of application, the demand for semi-finished products in copper and copper alloys is very closely connected to the general economic performance in the reference markets.

In this environment, the recovery of the global economy began to strengthen from the second half of 2016, but did not result in a solid recovery of trade worldwide. A potential support to economic activity could arise from implementation of a fiscal expansion program by the new United States government, the characteristics of which are nevertheless still uncertain; there is also the risk that the global recovery will be slowed down by the appearance and dissemination of protectionist policies, as well as possible turbulence within emerging economies.

In the Euro area, where KME Group is mostly present, growth proceeds at a moderate, but continuously consolidating, rhythm, driven by the internal demand. Uncertainty regarding the performance of the worldwide economy, which is partially affected by geopolitical tensions, is the greatest risk factor for economic activity.

As already described in the previous Directors’ Reports, the difficult macroeconomic scenario of the last few years has led the operating units of the "copper" sector to strengthen operational efficiency and organisational flexibility and to rationalize the business portfolio, with the objective of focusing resources on a series of high value-added businesses and markets with higher growth potential.

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

In Germany, the reorganization of the production units led to the concentration of tube production within a single plant (Menden) and the closure of similar production operations in the Osnabrueck plant. This was accompanied by a drastic reduction in the costs for centralised services, which, together with the restructuring of the tube segment, led to a decrease in human resources by around 350 employees.

In France, the agreements signed with the Cupori Group, a Finnish operator in the copper tube sector, proceeded with the establishment of a joint venture which involved the French plants of Givet and Niederbruck, each respectively insofar as their operations in the sectors of tubes and copper rods, as well as the activities involving the copper tubes at the Italian plant of Serravalle Scrivia (Alessandria), which was previously owned by KME Italy S.p.A.

The performance of the transaction with Cupori made it possible to resume development of activities in France, through significant restructuring of the labour costs, which had previously been negotiated with the social partners, thereby avoiding the announced closure of the Givet plant, and the consequent maintenance of almost all the jobs, through the industrial synergies that will be pursued with the Finnish group.

As regards Italy, where the transfer of the production of rolled and special products to other group units was considered as a possible strategic option, at the end of June 2016 an agreement with the trade unions was reached to relaunch operations by adopting solutions and measures that reduce the social impact as much as possible while providing a solution to the problem of the heavy financial losses, incurred despite the massive investments made in the past. To support this new strategy, a new Managing Director was appointed, whose specific mandate is to take the measures required in order to achieve the aforementioned objective of relaunching production activities.

After the closure of the “Asarco” furnace, as provided in the new business plan, in December the “Loma” smelting furnace was operative, after the necessary technical changes had been made. It is expected to fulfil the requirements of Fornaci di Barga, with consequent benefits in terms of cost containment as well as efficiency.

Again, in Italy, in June 2016, the Company concluded an agreement with trade unions which provides for the necessary reabsorption of redundant personnel into the workforce through alternative personnel management measures, leaving indemnities and solidarity. Among the alternative measures, there is also a provision for reallocation of personnel to other operations, such as for example the Social Valley at Campo Tizzoro, on a rotation basis and following appropriate professional training. The duration of the agreement was set until September 2018.

As part of the strategies that focus on markets with the greatest growth potential, we note progress regarding the project that was concluded and involved the construction of a new plant for rolled products for connectors in China, which is now at an advanced stage. By next autumn, we expect to complete the cold rolling and annealing line and by the end of the first half of 2015, the foundry and the hot rolling. Meanwhile, the Chinese customers were able to sample and approve the quality of the first products to be finished and distributed in China starting from semi-finished products from the German production plant of Stolberg or other KME Group units. In October, Chongqing Wanzhou Economy Technology Development (a state-owned “vehicle” company) joined the joint venture with a 16% stake, while KME AG equity investment was unchanged at 50%. This will allow for consolidation of the equity structure and strengthening of the financial position of the Chinese entity.

Regarding the market performance, the demand for **copper and copper-alloy semi-finished products for the building sector** continues to be characterized by underlying weakness, which thwarts the positive effect from the increase in the added value, obtained through a policy of high quality, a broad range of products, continuous customer support, and the development of design ideas promoting innovative solutions for residential architecture, interior design, and large public spaces in general.

The volumes sold and prices of plumbing tubes for the building sector remained the same as last year.

The evolution of the demand for **copper and copper-alloy semi-finished products** for the industrial sector, which KME Group intends to support as a leading player by providing its metallurgical know-how, is confirming signals of stability, although not uniform, through the various segments. The trend is positive in all the applications related to the “automotive” sector, while traditional sectors remained more or less stable; there are interesting growth prospects also in the “e-mobility” sector. Industrial tubes, which also cover a vast range of applications, reported weak sales volumes and prices in the last few months. As for sales of special products, we note that the ingot moulds and the copper cooling elements for foundries progressively strengthened in the second half of the year, after having suffered in the first half of 2016. Demand was rather weak for other products, such as those used for shipbuilding and offshore platforms; the prospects for the sector overall are very closely related to the economic developments in emerging countries, which are showing signs of recovery. The KME Group intends to maintain a leading position worldwide in this segment, with a strong commitment toward innovation and constant technological advances in the products and services.

The brass rods sector remained weak throughout almost the entire year, with a strong pressure on prices. Only in the last part of the year, this sector showed signs of recovery, which, if consolidated, could have positive effects that will add to the streamlining undertaken in the plants of the Group.

As regards the overall financial performance of the sector, net sales of raw materials on a like-for-like basis was lower by 3.9% over 2015, with a trend indicating improvement compared to the previous year beginning from the second half of the year, thereby confirming signs of a progressive recovery in demand.

Despite the drop in sales, the positive effects on the cost of the industrial and commercial measures adopted allowed to recover operating profitability, which increased by 10.7% (6.6% on a like-for-like basis) compared to the previous year. The ratio of EBITDA to revenue was 12.1%; the comparison with the figures recognised in the previous year (9.7%) shows a progressive improvement (on a like-for-like basis the ratio increased from 11.4% in 2015 to 12.6% in 2016).

Key results of the copper sector		
(in millions of Euro)	*2016*	*2015*
Revenue	1,703.0	1,974.8
Revenue (not including raw materials)	516.8	584.1
EBITDA	62.5	56.4
EBIT	29.9	20.4
Profit (loss) before non-recurring items	3.5	(5.1)
Non-recurring income/(expenses)	(12.8)	(42.4)
Effect of IFRS measurement of inventories	(28.3)	(27.3)
Share of profit/(loss) of equity-accounted investees	(7.9)	(4.0)
Consolidated net profit/(loss)	(40.4)	(72.7)
Net debt (at 31 December)	277.3	231.7
Equity attributable to owners of the Parent (at 31 December)	198.2	299.4

The 2016 data was consolidated with the results from the Cupori grouping using the equity method from 1 April. In the comment, the reference to the like-for-like basis refers to the total exclusion from the 2016 and 2015 data of the figures relating to assets which in March 2016 were transferred to the new French joint venture with the Cupori Group.

Consolidated Revenue in 2016 amounted to a total of Euro 1,703.0 million, down 13.8% (-3.3% on a like-for-like basis) compared to 2015 (Euro 1,974.8 million). Revenue, net of the value of raw materials, declined from Euro 584.1 million to Euro 516.8 million, down by 11.5% (-3.9% on a like-for-like basis).

EBITDA was Euro 62.5 million in 2016, up by 10.7% (6.6% on a like-for-like basis) on 2015 figures (Euro 56.4 million), The cost of labour and other operating costs declined, confirming the positive impact of the measures adopted by the Group to increase efficiency and flexibility.

EBIT stood at Euro 29.9 million (Euro 20.4 million in 2015).

Profit before non-recurring items was Euro 3.5 million (negative for Euro 5.1 million in 2015).

At the end of December 2016, the **Consolidated net profit/(loss)** of the copper sector showed an overall loss of Euro 40.4 million (compared to negative Euro 72.7 million in 2015).

The result for 2016 is adversely affected by **Non-recurring expenses** of Euro 12.8 million, which are mostly due to the costs incurred as part of the restructuring programme of the operating units.

The **Net Financial Position** as at 31 December 2016 was negative to the tune of Euro 277.3, compared to Euro 231,7 million at the end of December 2015.

On 27 June 2016, the KME Group concluded an agreement with its lending banks to extend to 31 July 2018 (with an option to extend for an additional year) credit lines totalling Euro 505 million, which can be used on a revolving basis to cover lending needs mainly connected to inventories. On 30 June, Mediocredito Italiano S.p.A. provided credit lines totalling Euro 150 million that both the French and the Italian companies can use for non-recourse factoring, also expiring 31 July 2018 and with an option for a one-year extension An additional agreement was concluded on 2 August with Factofrance S.A. for the extension of credit lines totalling Euro 250 million, usable by Group companies for non-recourse factoring and expiring 31 July 2018.

In recent months, loan agreements have been signed for a total of over Euro 900 million, reconfirming the trust the international banking system places in the KME Group, which is currently involved in a significant production and managerial restructuring process.

Equity was Euro 198.2 million at 31 December 2016.

In 2016, **Investments** of the copper segment production units totalled Euro 14.7 million (Euro 16 million in 2015).

The number of **Employees** at 31 December 2016 was 3,787 (4,713 at the end of 2015). The deconsolidation of French operations in late March 2016 reduced the headcount by 697.

As for the **Outlook**, the ongoing restructuring and streamlining of manufacturing operations, launched in recent months, will generate additional benefits by reducing operating costs. As the recovery in Europe continues consolidating, the KME Group will be able to make the most of its efforts to boost competitiveness in order to further improve its performance.

In 2016, the **price of copper** decreased, compared to the previous year, by 11.5% in US$ (from US$ 5,504/tonne to US$ 4,863/tonne) and by 11.1% in Euro (from Euro 4,958/tonne to Euro 4,400/tonne). In terms of trend, in the fourth quarter of 2016 average copper prices increased by 10.6% in US$ compared to the third quarter of 2016 (from US$ 4,773/tonne to US$ 5,277/tonne), and by 14.6% in Euro (from Euro 4,275/tonne to Euro 4,898/tonne).

In the first quarter of 2017, average copper prices continued to increase, coming in at US$ 5,832/tonne, i.e. Euro 5,476/tonne.

Private Equity

The investment in the private equity area is represented by the Company's equity investment in I2 Capital Partners SGR S.p.A., the relations involving payables to and receivables from said company, and the share of the I2 Capital Partners fund held directly by Intek Group.

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
I2 Capital Partners fund	4,993	7,345
I2 Capital Partners SGR Investment	2,501	2,501
Financial payables to I2 Capital Partners SGR	(1,301)	(1,310)
Other	16	44
Total Private Equity	**6,209**	**8,580**

For comments on the equity investment in I2 Capital Partners SGR, please see the section "*Main subsidiaries which provide services related to the Intek Group's investment activity*".

I2 Capital Partners fund

Intek Group owns 19.15% of the closed-end mutual investment fund I2 Capital Partners (hereinafter referred to as the "**Fund**"), which began operating in 2007, collecting subscriptions for Euro 200 million, the maximum amount allowed by the Regulation.

In July 2012, the Fund completed its investment period. Since then, the Fund has been focusing on creating value from the equity investments and assets in its portfolio.

As July 2017 approaches, this being the closing date for the Fund as set forth in the Regulation, in the last few months management has been discussing with investors about the possibility of extending the life of the Fund in order to improve its performance.

On 31 March of this year, the Fund's Advisory Committee and the Board of I2 Capital Partners SGR approved the program for one additional year up to 31 July 2018.

As at 31 December 2016, the residual assets of the Fund were being realised, such as the interest in Nuovi Investimenti, whose disposal must be authorised by the Bank of Italy and a number of tax receivables, and other higher-risk investments, such as the investment in Isno 3, which has sued a foreign credit institution claiming significant damages.

The 2016 financial statements reported a Euro 3.8 million profit (Euro 8.9 million profit in 2015), which was mainly due to the Euro 7.6 million in dividends received from Isno 3 and Benten, on the one hand, and to the Euro 5.5 million impairment loss on the investment in Isno 3 (aligning it with the company's equity), and Euro 2 million in receivables due from Nuova GS (deposit withheld by the lending banks), on the other. Furthermore, in February 2016 the Fund collected Euro 5 million following the final distribution from the Safim Factor proceedings. These events allowed the Fund to carry out partial redemptions totalling Euro 16.0 million, of which Euro 3.1 million to Intek Group.

As at 31 December 2016, the Fund had called a total of Euro 124.6 million, of which Euro 30.4 million for the management fee. Of the Euro 94.2 million used for investments, Euro 36.6 million were invested in the two transactions at a capital loss (Selecta of Euro 23.3 million and Alitalia of Euro 13.3 milioni). The remaining Euro 58 million, invested in profitable transactions, made it possible to distribute Euro 98 million to the investors, while the investments in Nuovi Investimenti SIM, Isno 3, Isno 4 , Benten and Safim Leasing are still in the valuation phase, with prospects that are very positive in certain cases.

The fair value at 31 December 2016 was Euro 26.1 million, of which Euro 5.0 million referred to Intek Group (respectively Euro 38.4 million and Euro 7.3 million as at 31 December 2015).

The table below shows the fair value amounts of the main investments in existence at 31 December 2016 which refer to the Intek Group, compared to 31 December 2015.

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Isno 3 Srl - official assignee of the composition Festival Crociere S.p.A.	1,781	2,308
Isno 4 Srl - official assignee of the composition OP Computers S.p.A.	575	575
Nuovi Investimenti SIM S.p.A.	1,915	2,490
Benten Srl - (official assignee of composition Mediafiction S.p.A.)	197	19
Safim Leasing S.p.A. in liquidazione	5	5
Fei Srl in liquidazione	-	10
Editoriale Vita	-	2
Alitalia – Compagnia Aerea Italiana S.p.A.	-	77
Nuova GS Srl / Selecta S.p.A.	-	-
Total Investments	**4,473**	**5,486**
Other assets/liabilities	519	1,765
Total Investments	**4,992**	**7,345**

Following is a brief description of the main investments existing at 31 December 2016.

Isno 3 Srl /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 Srl with a commitment equal to Euro 12 million.

The financial statements of Isno 3 as at 31 December 2016 had assets consisting mainly of cash and cash equivalents of approximately Euro 2.8 million. Shareholders' equity was approximately Euro 2 million.

There is still a dispute ongoing involving a very significant amount against Credit Agricole and other parties. In December 2012, the Court of Genoa issued a first instance ruling which rejected the main claims made by Isno 3 Srl, sentencing GIE Vision Bail SA, wholly owned by Credit Agricole, to pay Euro 6.8 million, plus interests as a bankruptcy rescindment. The appeal made by the plaintiff as well as the defendants has been set for July 2017.

Isno 4 Srl/OP Computers S.p.A.

As at 31 December 2016, the assets of Isno 4 consisted of cash and cash equivalents of approximately Euro 1 million and tax receivables, claimed as a refund, of approximately Euro 2 million. In January 2017, the company recognised gross extraordinary income of Euro 1 million, following the prescription of the rights of creditors which were found to be definitively untraceable. This allowed the company to collect the amounts previously paid to them.

Nuovi Investimenti SIM S.p.A.

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

With an overall original investment of Euro 7.7 million, as at 31 December 2016 the Fund held 91% of the share capital of SIM, for a counter value of Euro 7.2 million, as the sale of a minority interest equal to 9% of the share capital took place in October 2016.

During 2016, various negotiations took place which led to the signature of agreements for sale to third parties of Nuovi Investimenti and Alpi Fondi.

As regards the SIM, on 3 October and 23 December 2016, separate agreements were signed for the sale of 89% of the company to financial consultants and 9% to Banca Finint. The conclusion of the operation, which has already been partially executed insofar as three packages of shares constituting 3% each, is subject to prior authorization of the Bank of Italy.

On the same date, an agreement was signed for the sale of 100% of the share capital of Alpi Fondi SGR to Orefici SIM Fiduciary Group. This transaction as well is currently awaiting authorization from the Supervisory Authority. This transaction as well is currently awaiting authorization from the Supervisory Authority.

As regards the consolidated performance, in 2016, the Nuovi Investimenti Group had a net negative result of Euro 1.5 million (compared to a profit before non-recurring expenses of Euro 1.3 million in 2015). The drop in profitability is mainly due to the reduction of the revenues from investments on own account, which contracted by almost 50% compared to 2015 due to the decrease in the bond swaps resulting from the monetary policy at zero interest rates and the quantitative easing adopted by the ECB. This decrease in profitability was partially mitigated by reduction in costs of approximately Euro 1.1 million compared to the previous year.

As for the subsidiary Alpi Fondi SGR, we note the contraction of the volumes under management, which went from Euro 168 million at the end of 2015 to Euro 143 million at the end of 2016. This figure is partially attributable to temporary end-of-year disinvestments, which were subsequently reinvested in January 2017, and partially to changes in the asset allocation made by the customers and the departure of one of the SIM's financial consultants.

Benten Srl

In November 2011, the Fund became a 30% shareholder of Benten Srl, which was established in order to reach compositions with creditors within the bankruptcy procedures of the Cecchi Gori Group.

The litigation pursued by the company and certain tax receivables as well as receivables from other companies belonging to the Cecchi Gori, allowed Benten to achieve positive results totalling Euro 15 million. Between 2013 and 2016, the Fund, 30% of which is held by the company, received dividends of approximately Euro 5.8 million.

To date, the residual assets to be carried out refer to the collection of a significant tax receivable, for which a litigation with the Italian Revenue Agency is under way.

Other non-performing loans

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

The company Safim Leasing S.p.A. in liquidazione also belongs to this category, and constitutes the object of an agreement with the Fund. Against an investment of Euro 0.2 million, the Fund has collected Euro 1.5 million and believes that continuing the liquidation will result in further profits connected to tax receivables.

Alitalia – Compagnia Aerea Italiana

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

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

In August 2014, the negotiations with Etihad Airways were concluded. 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 Alitalia (SAI -Società Aerea Italiana) through a complex transaction which included a 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 into preferred shares of various categories of a large part of the receivables due to the company's lending banks.

Despite the intervention of Etihad, the operating and financial difficulties of Alitalia persisted in 2016, exceeding expectations. The company is currently negotiating with the employees and the government in an attempt to reach a new recovery plan. The Fund has zeroed the valorisation of this investment.

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

The Fund holds 100% of Nuova GS which, upon completion of the agreement for the restructuring of the debt of Selecta S.p.A. to Poste Italiane and the Selecta Srl Group with the banks that funded the acquisition, holds 85% of Selecta S.p.A. which in 2012 incorporated the Selecta Srl Group.

Following the restructuring agreement, Nuova GS took over the Euro 12 million debt for the pool loan granted in 2008 by Intesa Sanpaolo and Banco Popolare to the Selecta Srl Group. To guarantee this debt, the Fund established at Intesa Sanpaolo a pledged deposit of Euro 2 million, which was called in May 2016 following the failure to pay instalments of the guaranteed loan.

The economic/financial performance for the year ended 31 December 2016 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 S.p.A.

The pre-closure consolidated data for 2016 show (i) turnover equal to Euro 38 million (Euro 35 million as at 31 December 2015) and EBITDA that is positive by Euro 5.5 million (14.56% of period sales), against EBITDA of Euro 5.2 million recognised in the previous year. This performance places Selecta in the first places in its reference segment, in terms of operating efficiency.

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 Services S.p.A. and the contact centre activities, through the subsidiary Selecta Customer Services Srl.

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Ergy Capital/Other services

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
ErgyCapital investment	4,718	7,993
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	10,330	6,637
Il Post investment	545	400
Financial receivables from ErgyCapital	4,731	4,191
Financial receivables from Progetto Ryan 3 (formerly Culti Srl)	547	535
Financial receivables from Culti Milano	60	1,421
Other	480	372
Total ErgyCapital/Other services	**21,411**	**21,549**

ErgyCapital

In 2016, the ErgyCapital Group recorded revenue of Euro 14.1 million, down from Euro 15.1 million in the previous year.

Consolidated EBITDA, amounting to Euro 7.0 million, decreased compared to the previous year (Euro 7.3 million). The decline was largely attributable to the suboptimal performance of the Photovoltaic Sector, hampered by adverse weather during the year. This was partly offset by the measures to curb operating costs and the continued strength of the Biogas and Geothermal sectors.

Net financial debt fell from Euro 66.7 million as at 31 December 2015 to Euro 57.7 million at the end of 2016, improving by over Euro 9 million. This was the result of the deconsolidation of Euro 4.2 million in debts of the subsidiary Società Agricola San Vito Biogas Srl, sold in May 2016, and of the Euro 6.0 million net decline in financial payables concerning photovoltaic and biogas plants as well as other minor loans, partly offset by the Euro 1.6 million decrease in cash and cash equivalents.

The company reported a Euro 1.4 million loss (Euro 2.7 million loss in 2015) after recognising Euro 7.1 million in operating costs (Euro 7.7 million in the prior year), Euro 5.0 million in depreciation and amortisation, provisions, and impairment losses (Euro 4.9 million in 2015), Euro 3.3 million in financial expense (Euro 4.0 million in 2015), and Euro 0.1 million in tax expense (Euro 1.2 million in the previous year).

In May 2016 the Company sold its 51% stake in Società Agricola San Vito Biogas Srl, which owns a biogas plant of approximately 1-MWe located in San Vito al Tagliamento (province of Pordenone). The sale generated a Euro 1.5 million cash flow, reduced the net financial position by nearly Euro 4.0 million, and resulted in an approximately Euro 0.5 million gain, which was recognised in the Group's consolidated financial statements.

In May 2016 the Company also entered into a binding agreement with Green Utility S.p.A. to merge the respective groups and businesses conditional on the positive outcome of the relevant due diligences. The due diligence did not confirm the value of the assets as defined in the agreement, requiring an increase in ErgyCapital's ownership interest. After additional negotiations, the parties decided to cancel the merger.

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

Culti Milano was established at the end of 2014 by KME Partecipazioni and its fully-owned subsidiary Progetto Ryan 3 Srl in liquidazione. The company is currently 89.13%-owned by Intek Group and 10.87%-owned by Progetto Ryan 3. It operates in the luxury market, producing and selling high-end room fragrances.

In April 2015, the company leased the business from its parent company Progetto Ryan 3 (formerly Culti Srl). The new company hired the personnel, pursuant to art. 2112 of the Italian Civil Code, and purchased the inventory with payment based on the periodic withdrawals of inventory that took place.

In December 2016, Culti Milano was converted from an Srl (a limited liability company) into an S.p.A. (a joint-stock company) and the share capital was increased from Euro 10 thousand to Euro 2 million.

Meanwhile, the firm completed the acquisition of the historical “Culti” brand, terminated the business lease agreement with Progetto Ryan 3, and entered into a business acquisition agreement, with the Culti brand as the main asset.

With respect to expenses, the management has already achieved important results, significantly reducing production costs by improving procurement and inventory management; it has renegotiated the agreements with key suppliers and exercised more control over inventory turnover.

By streamlining production operations, the company has developed a simpler format that makes a greater impact on customers, as well as optimised manufacturing, storage and marketing costs.

The management also overhauled both the in-house and external sales network, generating significant savings in terms of efficiency and effectiveness, thus increasing market penetration. This was made possible by replacing external agents with in-house staff, steadily reducing the commissions paid to the former.

Finally, investing in e-commerce and digital communication to drive business growth was a crucial decision taken by the new management team.

Besides the acquisition of the Culti brand, during the year the company made other investments: most importantly, it opened the new Milan boutique in the Brera district, which will complement the historical outlet in Corso Venezia.

In 2016, the first full year under the new management, the company's value of production totalled Euro 5.2 million, up sharply from Euro 4.2 million in 2015. Sales rose from Euro 3.6 million as at 31 December 2015 to Euro 4.9 million in 2016.

However, the company reported an approximately Euro 200 thousand loss for 2016 (Euro 69 thousand profit in 2015) because of the restructuring conducted in 2016.

To generate more value from its operations, Culti Milano is listing nearly 30% of its share capital on the AIM market. The process is expected to be completed in the first half of 2017.

Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
FEB - Ernesto Breda investments	-	18,500
Breda Energia investments	6,162	-
Intek Investimenti investments	680	20
Former Fime receivables (net of advances)	5,625	6,262
Other non-performing receivables (tax receivables and from compositions with creditors)	3,144	6,656
Net assets/(liabilities) concerning former Isno 2	(780)	(40)
Provisions for risks	(3,095)	(3,154)
Financial payables to FEB - Ernesto Breda	-	(14,829)
Financial payables to Breda Energia in liquidazione	(3,822)	(1,987)
Other	(738)	(370)
Total Non-operating assets	**7,176**	**11,058**

Non-operating assets have dropped compared to the previous year by Euro 3.9 million mainly due to the following reasons:

- merger of FEB into Intek, which led to a net reduction of Euro 1.9 million due to (i) the cancellation of the equity investment (minus Euro 18.5 million), (ii) the elimination of Intek’s payables to FEB (plus Euro 14.8 million) and the conditional loan from INTEK to FEB (minus 3.3 million), (iii) the recognition of the equity investment in Breda Energia (plus 6.2 million) and the receivable from the Isotta Fraschini proceedings (2 million);
- collections of assets referring to the former Fime and Isno 2: reduction of Euro 1.4 million
- collection of tax receivables and relative interest for approximately Euro 2.2 million;
- increase of the equity investment in Intek Investimenti of 0.7 million due to the positive effects of the valuation. During the year, the proposal was received for composition with creditors pursuant to article 214 of the Italian Bankruptcy Law with regard to the Breda Fucine Meridionali proceedings brought by Intek Investimenti. The transaction should guarantee a margin before taxes of approximately Euro 1 million.

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The provisions for risks amounting to Euro 3.2 million, unchanged compared to the previous year, refer to the disputes connected to the former Fime management.

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Real Estate/Other assets

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

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
I2 Real Estate investment	11,750	12,400
Rede/Malpaso investment	2,362	2,362
Land and buildings	32	32
Land and buildings IFRS 5	941	941
Financial receivables from I2 Real Estate	7,335	6,447
Financial receivables from Rede Immobiliare	2,337	196
Progetto Ryan 2/Mecchld investment	317	400
Other	267	321
Total Real Estate/Others	**25,341**	**23,099**

These operations are carried out through the subsidiary Rede Immobiliare (hereinafter Rede), which is involved in the investment activities. On the other hand, the equity investment in I2 Real Estate is considered to be instrumental insofar as the operations of Intek Group.

There is no particular new information regarding these activities.

Intek Group continues to provide financial support for the activities of its subsidiaries, in particular I2 Real Estate, which maintains all the direct relations with its investee companies Tecno Servizi Srl (100% owned subsidiary that also owns a real estate property in Varedo) and Fossati Uno Srl (35% owned subsidiary, which acquired the former Fossati plant located in Sondrio).

Various operators continues to be express their interest in the properties located in Varedo and Ivrea, the latter held directly by I2 Real Estate, though no specific offers have been made.

During the year, in order to simplify the corporate structure, a reverse merger of Malpaso Srl into Rede took place, so that the latter became a fully-owned subsidiary of Intek Group. The increase in financial receivables from Rede arises from the settlement of the positions that ensued as part of the tax consolidation.

It is noted that, at the end of 2015, the property used as an industrial factory located in Borgo Panigale, Bologna which was held through Rede Immobiliare, was sold against the consideration of 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 and subscribed entirely by Rede. 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.

* * *

Financing activities

The Parent Company has no debts toward third parties, except for the bond loan of Euro 101.2 million which expires in February 2020.

As at 31 December 2015, Intek, together with its subsidiary KME Partecipazioni, held cash and cash equivalents of Euro 36.7 million, a part of which was temporarily invested in financial instruments, in particular harmonized UCIs (investment funds), which are characterized by absolute yield investment policies.

As at 31 December 2016, cash and cash equivalents were equal to Euro 14.0 million, of which Euro 4.8 million invested in harmonized UCIs (investment funds), which are characterized by absolute yield investment policies. These were subsequently sold in early 2016.

It is furthermore noted, as already mentioned in this report, that Intek Group has an ongoing loan with the subsidiary KME AG of Euro 35 million, which falls due on 30 September 2018. Based on the agreement signed at the time of the renewal of the syndicated loans, it can be repaid in advance only in the event that Tranche B of the syndicated loans granted to KME AG is reduced by at least Euro 30.0 million.

In addition, as at 31 December 2016, Intek is a creditor of an additional Euro 9.0 million to KME AG, as part of the current account in existence.

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Group results

It should be noted that, following the application of the principle relating to investment entities that occurred at the end of 2014, the values of the consolidated financial statements are aligned with those of the separate financial statements. And this even more after the merger of KME Partecipazioni.

The consolidated financial statements include, in addition to the Parent Company, the 100%-owned instrumental subsidiaries: I2 Capital Partners SGR, I2 Real Estate and Immobiliare Pictea Srl.

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

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Share capital	314,225	314,225
Reserves	132,131	127,131
Profit/(Loss) for the period	(4,378)	6,169
Equity attributable to owners of the Parent Company	**441,978**	**447,525**
Non-controlling interests	-	-
Total equity	**441,978**	**447,525**

The decline in equity was the result of the loss for the year as well as the accounting impact of FEB's merger (Euro 1.0 million).

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

Consolidated net invested capital		
(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Net non-current assets	509,747	485,746
Net working capital	17,615	18,332
Net deferred tax	2,786	3,476
Provisions	(4,943)	(5,401)
Net invested capital	**525,205**	**502,153**
Total equity	441,978	447,525
Net financial position	83,227	54,628
Sources of finance	**525,205**	**502,153**

"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" consist 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 financial debt".*
- *"Net provisions" include 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. 2016*
Parent Company's Equity including result of the year	**442,191**
Excess cost allocation on property (net of tax effect)	4,024
Difference between the consolidated companies' equity and their carrying amounts	(4,237)
Group's consolidated Equity including result of the year	**441,978**

The Group's **financial debt** as at 31 December 2016 was equal to Euro 83.2 million compared to Euro 54.6 million as at 31 December 2015. The increase is due to non-current loans to related companies, mainly KME AG.

As at 31 June 2016, the Group had liquidity and investments in flexible, low risk and easy to liquidate instruments, of Euro 15.2 million.

Reclassified Consolidated Net Financial Position

(in thousands of Euro)		*31 Dec. 2016*	*31 Dec. 2015*
Short-term financial payables		5,201	5,218
Medium- to long-term financial payables		7,063	7,630
Financial payables to Group companies		3,823	16,816
(A) Financial payables	**(A)**	**16,087**	**29,664**
Cash and cash equivalents		(10,444)	(10,947)
Other financial assets		(6,775)	(27,574)
Financial receivables from Group companies		(16,631)	(37,304)
(B) Cash and current financial assets	**(B)**	**(33,850)**	**(75,825)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B) + (C)**	**(17,763)**	**(46,161)**
(D) Outstanding debt securities (net of interest)		**100,990**	**100,789**
(E) Consolidated net financial position	**(D) + (E)**	**83,227**	**54,628**
(F) Non-current financial assets		***(46,731)***	***(13,345)***
(G) Total net financial debt	***(F) + (G)***	***36,496***	***41,283***

(E) Definition pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006 in application of the CESR recommendations of 10 February 2005.

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

Consolidated Statement of Cash Flows – indirect method			
(in thousands of Euro)		*2016*	*2015*
(A) Cash and cash equivalents at the beginning of the period		**10,947**	**48,940**
Profit/(Loss) before taxes		(5,144)	7,089
Amortisation and depreciation of intangible assets and property, plant and equipment		435	263
Impairment losses on current assets		-	170
Impairment/(Reversal of impairment) on non-current assets other than financial assets		1,107	620
Impairment/(Reversal of impairment) of investments and financial assets		192	(16,003)
Changes in pension provisions, post-employment benefits and stock options		(35)	4
Changes in provisions for risks and charges		(460)	(249)
(Increase)/Decrease in equity investments		(1,727)	(1,211)
(Increase)/Decrease in financial investments and financial assets		21,357	(26,108)
Increase/(Decrease) in current and non-current financial payables to related parties		(14,813)	(3,557)
(Increase)/Decrease in current and non-current financial receivables from related parties		(1,430)	(34,323)
(Increase)/Decrease in current receivables		(1,649)	3,939
Increase/(Decrease) in current payables		568	(3,099)
Taxes paid during the year		-	(1,307)
(B) Total Cash flows from/(used in) operating activities		**(1,599)**	**(73,772)**
(Increase) in non-current intangible assets and property, plant and equipment		(68)	(204)
Decrease in non-current intangible assets and property, plant and equipment		75	3
Investments in instrumental equity interests net of acquired cash		(46)	(9,968)
Increase/Decrease in other non-current assets/liabilities		-	848
(C) Cash flows from/(used in) investing activities		**(39)**	**(9,321)**
(Purchase)/Sale of treasury shares and similar instruments		-	(835)
Increase/(Decrease) in current and non-current financial payables		(493)	45,983
(Increase)/Decrease in current and non-current financial receivables		672	(48)
(D) Cash flows from/(used in) financing activities		**179**	**45,100**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(1,459)**	**(37,993)**
(F) Cash contributed by change in scope of consolidation		**956**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E)**	**10,444**	**10,947**

The consolidated income statement is the following:

Consolidated Income Statement		
(in thousands of Euro)	*1 Jan - 31 Dec 2016*	*1 Jan - 31 Dec 2015*
Net income from investing activities	77	16,015
Commissions on guarantees given	4,005	3,223
Other income	2,762	2,349
Personnel costs	(1,850)	(2,193)
Amortisation, depreciation and impairment	(1,542)	(883)
Other operating costs	(5,061)	(6,258)
Operating profit/(loss)	**(1,609)**	**12,253**
Financial income	2,375	1,101
Financial expense	(5,910)	(6,265)
Net financial expense	*(3,535)*	*(5,164)*
Profit/(Loss) before taxes	**(5,144)**	**7,089**
Current taxes	1,646	930
Deferred taxes	(880)	(1,850)
Total income taxes	**766**	**(920)**
Profit/(Loss) for the period	**(4,378)**	**6,169**

* * *

Other information

Related party transactions

Transactions with related parties, including intra-group transactions, were neither atypical nor unusual, in that they were part of the Group's day-to-day business and were all conducted on an arm's length basis or according to standard criteria.

As at 31 December 2015, Intek was a creditor to KME AG of approximately Euro 29.7 million through a current account contract. This credit increased to Euro 50 million during the first few months of 2016, and in June 2016, following the signature of agreements for renewal of KME AG's syndicated loans, the current account was transformed, insofar as the amount of Euro 35.0 million, into a loan expiring 30 September 2018. The loan regulation provides for that the loan can be repaid early only in the event that the syndicated loans granted to KME AG are reduced by at least Euro 30.0 million insofar as Tranche B. The annual rate applied is 3.75%, reviewable quarterly based on KME AG's borrowing cost.

As at 31 December 2016, in addition to the loan of Euro 35.0 million, Intek was a creditor of an additional Euro 9.0 million to KME AG, as part of the current account that is in existence. This amount increased to Euro 10.0 million as at the date that this report was prepared. Intek is also a creditor by Euro 7.0 million to KME AG and its subsidiaries for guarantees and interest charged.

As at 31 December 2016, the following loans were held by the various direct and indirect subsidiaries:

- ErgyCapital amounting to Euro 4.5 million;
- ErgycaOne amounting to Euro 0.2 million;
- Progetto Ryan 3 in liquidazione (former Culti Srl) amounting to Euro 0.5 million;
- Rede Immobiliare Srl amounting to Euro 2.3 million.

Intek Group also has a loan of Euro 7.3 million to I2 Real Estate, which was eliminated in the consolidated financial statements, and a loan of Euro 0.2 million to I2 Capital Principal.

The existing loans with non-consolidated companies refer solely to Breda Energia S.p.A. in liquidazione (Euro 3.8 million) which also holds a financial loan of Euro 1.9 million to parent company Quattroduedue S.p.A.

There are two loans to consolidated companies with the following balances:

- Euro 1.3 million to I2 Capital Partners SGR;
- Euro 6.7 million to Immobiliare Pictea.

During 2016, Intek's payables for loans to its incorporated companies FEB (Euro 14.9 million) and KME Partecipazioni (Euro 17.2 million) were extinguished on account of the merger.

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

* * *

Disputes

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

During the first half of 2016, several disputes developed with certain savings shareholders, who ungroundedly made claims for payment of an alleged right to a dividend attributable, according to them, to this shareholder category, regarding distribution of reserves resolved upon by the Ordinary Shareholders' Meeting held on 19 June 2015 and implemented through assignment to all shareholders of 3,479,875 savings shares held in the Company's portfolio.

This initiative, which came from a savings shareholder, resulted in the issuing of an injunction by the Court of Bari in the amount of Euro 118 thousand, which was immediately opposed by the Company. The Company, following the application for a stay of judgment which was accepted by the

Judge, had nevertheless paid the amount indicated in the injunction only in order to avoid enforcement actions that would have damaged it. The first hearing of the opposition proceedings on 14 September 2016 is currently in the decision process and the issuing of the ruling by the Court of Bari which has jurisdiction (contested by the Company) is expected in the very short term.

Moreover, during the the previous year, identical claims were made by other savings shareholders, against whom the Company has taken action through the initiation of proceedings which are currently pending at the Courts of Milan, Rome and Bari, in order to ascertain that no savings shareholders' rights were violated and therefore that their claim in relation to the already mentioned distributions of reserves is unfounded.

Intek Group firmly believes to have always acted in full respect of the rights and prerogatives of its own shareholders as well as of its Articles of Association, the law, and the regulations, opposes such initiatives and intends to take the most effective measures in order to protect its interests.

As regards the main litigation that refers to the former Fime Leasing, there are no updates regarding the lawsuit which was ruled upon by the Naples Court of Appeal in 2014, sentencing Intek Group to pay Euro 2.6 million (against which a specific risk provision was allocated in 2014) to the bankruptcy receivers of Mareco Sistemi Industriali Srl as part of the lawsuits connected to the operations of the former Fime Leasing. This ruling which is under appeal before the Supreme Court of Cassation (Suprema Corte di Cassazione), was suspended and we are waiting for the hearing date to be set for the definitive judgement.

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 awaiting 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 Company and ownership structure

The company is controlled by Quattroduedue Holding BV, which is based in Amsterdam (Holland), Vijzelstraat 68/78, through Quattroduedue S.p.A., a wholly owned subsidiary of the aforementioned Quattroduedue Holding BV. As at 31 December 2016, Quattroduedue Holding BV indirectly held 158,067,506 Intek Group ordinary shares, or 45.749% of the company's voting capital and no. 1,424,031 savings shares.

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

* * *

Personnel

As at 31 December 2016, Intek Group had 13 employees, of whom 3 executives and 10 clerical workers.

Following is the average number of employees in consolidated companies, as compared with 2015:

	31/12/2016	*31/12/2015*	*Change*	*% Change*
Executives	4	4	-	0.00%
	26.67%	23.53%		
Clerical workers	11	13	(2)	-15.38%
	73.33%	76.47%		
Total employees (average)	**15**	**17**	**(2)**	**-11.76%**
	100.00%	100.00%		

* * *

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

As at 31 December 2015, the Company held 7,719,940 ordinary treasury shares (equal to 2.23% of shares in this category) and 11,801 savings treasury shares (equal to 0.24% of the capital for this category).

During 2016, the Company did not carry out any transactions involving the purchase of its own ordinary or savings shares.

In December 2016, 2,006,368 ordinary shares were used for the share swap arising from the merger of FEB into Intek Group.

At 31 December 2016, as well as at the date of this report, the Company held 5,713,572 ordinary treasury shares equal to 1.65% of the voting capital (1.44% of the total share capital).

* * *

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

* * *

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 2015 and the half-year financial statements as at 30 June 2016 with additional and specific 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, from 2 May 2013, the outstanding savings shares will have a single listing line characterised by the following ISIN codes:

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

On 31 May 2016, the Shareholders' Meeting, which had approved the financial statements for the year ended 31 December 2015, appointed Ruggero Magnoni Director, to replace Salvatore Bragantini who resigned on 18 April 2016 due to other commitments which no longer allowed him to devote the necessary time to the work of the Board of Directors. Therefore, the members of the Board of Directors became nine, as resolved by the Shareholders' Meeting on 19 June 2015.

Based on the corroborated proposal of the Board of Statutory Auditors, this same Shareholders' Meeting held on 31 May 2016 assigned the mandate for the legal audit of the consolidated and separate financial statements, as well as of the condensed consolidated half-year report of Intek Group S.p.A. to Deloitte & Touche S.p.A. from 2016 until 2024. With the approval of the financial statements as at 31 December 2015, the assignment to the legal auditing firm KPMG S.A, from 2007 to 2015, had expired.

It is hereby noted that, as from 18 March 2016, the new Transparency Directive (Legislative Decree 25/2016) entered into effect. Among other things, it amended paragraph 5 of article 154-ter of the TUF, eliminating the obligation to publish the interim report thereby granting a longer time period for approval of the consolidated half-year report.

Consob, which had been granted the necessary powers, has decided not to adopt any additional provisions, thereby allowing each issuer to decide whether to adopt a specific additional information policy to replace the disclosure obligations.

The Company updated internal procedures to render them compliant with new market abuse regulations, consequently to the entry into force of the abovementioned Transparency Directive and the relative implementing resolutions issued by Consob, following the transposition of European Regulation no. 596/2014 (MAR), which entered into effect on 3 July 2016.

Given the complexity and sensitivity of the issue, the Company in agreement with the Control and Risk Committee, has established a work group which involved, with the support of external experts, various corporate functions working on the correct performance of obligations ensuing from this new regulation.

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

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

- With regard to the provisions of article 36, the Intek Group does not hold relevant investments, pursuant to article 151 of Consob Issuers' Regulation, in non-EU Countries;
- the Company, although a subsidiary of Quattroduedue Holding BV, considers itself not to be subject to the management and coordination activities envisaged in articles 2497 et seq. of the Italian Civil Code as well as article 37 of the Market Regulation, insofar as that:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any centralised treasury arrangements with Quattroduedue Holding BV or with its subsidiary companies;
  - the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions;
- with regard to the provisions of article 38, the Company does not fall within the scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

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 Company's financial results depend mainly on these transactions and the dividends distributed by investees 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 could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

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

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 forecasts 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: it can arise from difficulties in raising finance for operating activities as and when required. The Group expects to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh or renewed bank 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 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, recognised under “investments in equity interests and fund units" is not actively managed using financial hedging instruments.

* * *

Significant events after 31 December 2016

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

Proposal to approve the 2016 financial statements

"The Ordinary Shareholders' Meeting of Intek Group S.p.A., in its ordinary meeting held at Mediobanca S.p.A. – Via Filodrammatici no. 3 in Milan, having acknowledged the reports of the Board of Statutory Auditors and the Independent Auditors, and after having heard an approved the report of the Board of Directors

resolves

- to approve the Report on operations by the Board of Directors for the year ended as at 31 December 2016 and the financial statements as a whole, and its individual entries and records with the provisions and uses proposed, which show a loss of Euro 4,440,689;
- to cover the loss of Euro 4,440,689 as follows:
  - i) Euro 2,122,907 through full use of the "FEB merger deficit reserve" which was zeroed as a result;
  - ii) the remaining amount of Euro 2,317,782 is taken from the "(Extraordinary) available reserve" which, as a result, falls from Euro 11,899,957 to Euro 9,582,175.

Milan, 26 April 2017

Board of Directors
The Chairman
(Vincenzo Manes)

Main subsidiaries which provide services related to the Intek Group's investment activity

Following is a summary of the comments regarding the operations carried out in 2016 by the main companies, identified as instrumental to Intek Group operations and the companies controlled by them.

I2 Capital Partners SGR S.p.A.

I2 Capital Partners SGR S.p.A. is active in collective asset management through the promotion, establishment, organisation and management of closed-end 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, the maximum amount allowed. Subscriptions were collected from qualified investors only, including Intek Group which currently holds 19.15% of the Fund.

The Fund completed its investment period on 31 July 2012, therefore further transactions are limited to add-ons on investments that have already been made or which have been resolved upon prior to the closing of the investment period.

During 2016, requests were made for payment of Euro 1.3 million, to be applied only to covering the Fund's overhead expenses. As at 31 December 2016, the total amount called upon the launching of the Fund's operations was Euro 98.0 million, while the callable residual contributions totalled approximately Euro 10.0 million.

During 2016, pursuant to article 9 of the Regulation, there were partial redemptions with distribution of Euro 16.0 million, resulting from the following operations:

- dividends received from the Fund from investees Isno 3 for Euro 5.4 million and from Benten for Euro 2.3 million;
- collection of the final portion of the receivables from the Safim Factor proceedings for Euro 5 million;
- repayment of excess capital from Isno 3 Srl of Euro 2.7 million;
- sale of 9% of the capital in the equity investment Nuovi Investimenti SIM S.p.A. of Euro 0.5 million.

As at 31 December 2015, the existing investments, measured at cost, amounted to Euro 10.6 million, and mainly referred to equity investments in unlisted financial instruments.

* * *

KME Partecipazioni S.p.A.

KME Partecipazioni S.p.A. was incorporated into Intek Group pursuant to the merger concluded on 25 May 2016. The company held diversified equity investments and was entirely owned by Intek Group which therefore exercised management and coordination activities pursuant to articles 2497 et seq. of the Italian Civil Code.

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

Upon completion of the merger Intek Group became the owner of the following major investments:

- an equity investment in ErgyCapital recognised at Euro 6.7 million, inclusive of the relative warrants;
- a receivable of Euro 4.0 million to ErgyCapital for a reciprocal loan agreement in existence, which was granted at market interest rates;

- a direct equity investment of 65% in Culti Milano Srl which was recognised at Euro 2.9 million and another in its parent company Progetto Ryan 3 Srl in liquidazione for Euro 3.6 million;
- financial market securities for temporary use of cash on hand of Euro 23.9 million.
- KME Partecipazioni also held a receivable arising from loans granted to Intek Group of Euro 17.2 million.

As already indicated above, in January 2017, the Boards of Directors of Intek Group and ErgyCapital resolved to apply the guidelines for a transaction that provides for merger by incorporation of ErgyCapital into Intek Group.

* * *

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 also through investees.

The company provides services related to the operations of Intek Group, and is therefore accounted for at cost, adjusted as needed for impairment, in the separate financial statements, and is consolidated.

In addition to the information provided in the section “Real estate/Other Assets” we note that the 2016 financial statements show a loss of Euro 0.6 million, which is mainly attributable to the write-downs of financial fixed assets (Euro 0.3 million) and the owned property (Euro 0.2 million).

With regard to the activities planned for 2017, the company will continue to seek the best 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

The 2016 financial statements, prepared in abbreviated form, show a profit of Euro 167 thousand.

The company’s activities during 2016 were concentrated on managing the property it owns in Milan, located at Foro Buonaparte, 44 which is leased to companies belonging to Intek Group.

The procedures for securing building restructuring permits continued and this work is expected to begin during 2018.

In 2015, the Company had taken out a fifteen-year mortgage in the amount of Euro 7 million. 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. As at 31 December 2016, the loan residual amount was Euro 6.3 million.

For improved returns on the cash collected and while awaiting its use, a reciprocal current account was opened with the parent company with an annual rate of 4%. As at 31 December 2016, the balance of this item was positive by Euro 6.7 million.

INTEK GROUP

YEAR 2016

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP S.P.A.

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 26 APRIL 2017

1. Contents

Tables:

Glossary

Code/Corporate Governance Code: the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Assogestioni, Assonime and Italian Manufacturers' Federation.

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

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

Financial year: the financial year ended as at 31 December 2016, to which this report refers.

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

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

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

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

Related Party Regulations: the Regulation issued by Consob with its resolution 17221 of 2010 (as subsequently amended) 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 Law on Finance/TUF: Italian Legislative Decree no. 58 dated 24 February 1998.

Foreword

The Board of Directors of Intek Group S.p.A., in its meeting held on 26 April 2017, also approved the Report for the 2016 reporting year, together with the draft financial statements for said financial year.

The Report provided below, as in the case of the 2015 Report, 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:

<u>- related party transactions:</u>

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;

<u>- exercise of shareholders' rights:</u>

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;

<u>- functions of the Board of Statutory Auditors:</u>

with regard to Art. 19 of the Legislative Decree 39/2010 which implemented directive 2006/43. The regulation applicable to the function of the Board of Statutory Auditors has, in particular, affected the disclosures that are required to be made in compliance with the Code recommendations on the functions of the Internal Control Committee: in addition to confirming the elimination of the reference requiring valuation of the "proposals made by the audit company 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;

<u>- transparency of the remuneration to Directors and Key management personnel:</u>

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

In regard to the latter, considering that the companies with shares listed on regulated markets are now required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by the Consob Issuers' Regulation, and in order to avoid providing redundant information, the pertinent information (see Sect.9) will be provided by referring to the relevant parts of the Report on Remuneration pursuant to article 123-ter of the TUF, as it was done for the Report presented for the last three years (2013, 2014 and 2015).

This Report has been prepared pursuant to the guidelines issued by Borsa Italiana (VI edition of January 2017) and the criteria set forth in article 89-bis of the Issuers' 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 Issuers Regulation, the Report provides specific information regarding:

(i) compliance with each Code provision;

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

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

This Report aims to illustrate the corporate governance model that Intek adopted in 2016, 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 Articles of Association were adopted in 2012 as part of the incorporation of Intek S.p.A. into KME Group S.p.A. (which took on the company name of "Intek Group S.p.A.").

In particular, we note the issuing of the ""Intek Group S.p.A. 2012-2017 bonds" (subsequently repaid in full during 2015) and the issuing of a convertible bond loan named "Convertendo Intek Group S.p.A. 2012-2017" governed by article 4 "Capital" of the Articles of Association.

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

The issuer's administration model has been structured according 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 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.

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 Articles of Association 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 relevant 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 Articles of Association to the law providing for application of the discipline regarding equilibrium between the genders in the composition of the governing and supervisory bodies, as introduced by law no. 120 of 12 July 2011 and the relative implementing provisions.

Another significant change to the Articles of Association 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 of the increase of the voting right for shareholders who possess the requirements set by the law that so request by 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, 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 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 S.p.A. (renewable energy) (now “**Ergycapital**”);
- COBRA (services) (now “**Cobra**”).

The equity investment in Cobra was then sold during 2014, achieving significant results, while the equity investment in ErgyCapital is currently the object of the merger by incorporation into Intek Group which is expected to enter into effect by September 2017.

Both equity investments were concentrated in the fully-owned subsidiary KME Partecipazioni S.p.A. (hereinafter "**KME Partecipazioni**"), which also held investments in low risk non-equity funds.

In order to simplify the chain of control, during 2016 the Company incorporated KME Partecipazioni and FEB -Ernesto Breda S.p.A., after merging the latter into Bredafin Innovazione S.p.A. in liquidazione.

Following the merger of KME Partecipazioni, Intek directly controlled an equity investment of 49.039% in Ergycapital and the use of cash in investment funds for over Euro 23.9 million, which were partially used to support its own investments.

Disclosure relative to the performance of ErgyCapital is provided in the Directors' Report to which reference is made 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 the period 2015-2017, resolved to establish only 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, which was not renewed by resolution of the abovementioned Board of Directors.

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 Issuers’ Regulation.

With regard to the Group companies, it is hereby specified that the governance of the German company KME AG, the main Intek subsidiary, 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 structure (pursuant to article 123-bis, paragraph 1, letter a), Consolidated Law on Finance (“TUF”))

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 no par value.

The Company has an outstanding non-convertible bond loan named “Intek Group S.p.A. 2015-2020” which was issued in February 2015 and consists of 4,708,507 Bonds with a par value of Euro 21.60 each, totalling Euro 101,703,751.20. Following are the main characteristics of the bond loan:

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

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

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

It should be noted that the issuing of the bond loan in question was the result of a resolution made by the Company’s Board of Directors on 2 December 2014, which had approved the launching of a voluntary total public exchange offer (the “**Exchange Offer**”):

(i) on 22,655,247 “Intek Group S.p.A. 2012 – 2017” bonds outstanding at that time, for a total par value of Euro 11.3 million and

(ii) on 115,863,263 "Strumenti Finanziari Partecipativi di natura obbligazionaria" Intek Group bonds 2012-2017 (hereinafter the “**SFPs**”) outstanding at that time, issued by the Company and listed on the MOT (Electronic Bond and Securities Market), for a total par value of Euro 48.7 million

and the concurrent promotion of a public subscription offer of a bond loan totalling Euro 40 million.

The implementation of this significant transaction enabled the debt structure to be optimized, both in terms of duration and of cost, as well as to find new financial resources to be used for a further development of the Group's investments and to support existing investments.

For additional information on the issuing of the outstanding “Intek Group 2015 – 2020” bond loan, please see the information provided in the report for 2015.

* * * * * *

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

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

As already mentioned in this report, the Company has amended the Articles of Association to include the increase of the voting right for shareholders who possess the requirements set by the law and so request by registration in the appropriate special register.

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

The rights of the Holders of Savings Shares are listed in articles 145 et seq. of the TUF and articles 5, 8 and 28 of the Articles of Association. Their Common Representative who is entitled to participate with the right to intervene in the ordinary Shareholders' Meeting whose rights are indicated under article 27 of the Articles of Association is Ms. Simonetta Pastorino, who was appointed for 2015/2017 by the extraordinary 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.

* * * * * *

It is hereby noted that, on 24 January 2012, Quattrotretre S.p.A. (hereinafter "**Quattrotretre**"), company incorporated 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 par value of which was equal to Euro 32,004,000.00. It is composed of 4,000 bonds of a par value of Euro 8,001.00 each, subscribed at an issue price equal to Euro 6,000.00 per bond.

Pursuant to the Regulation of the aforementioned convertible bond:

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

present in the Meeting, other than the shareholder or shareholders that hold, including jointly, the majority equity investment, even if relative, provided it is more than 10%;

- in the event that it exercises the repayment option, on the expiry date the issuer will pay the Bondholder Euro 8,001.00 for each convertible bond (repayment price), for a total value of Euro 32,004,000.00.

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

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

Subsequently, on the occasion of the merger, 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. had granted FEB –Ernesto Breda S.p.A., a company which is a subsidiary of the Intek Group, 526 “Convertendo Intek Group S.p.A. 2012-2017” bonds, or 13.15% of the total bonds issued. Following the implementation of the merger of FEB-Ernesto Breda into Intek, the aforementioned 526 bonds held by the former shall be undertaken directly by Intek Group which will be entitled to dispose of them, including, if necessary, through cancellation.

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 5,000 annually.

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

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

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

STRUCTURE OF SHARE CAPITAL			
	ISIN Code	No. of outstanding instruments	% of total share capital
Ordinary shares	IT0004552359	345,506,670	87.33%
Unregistered savings 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 S.p.A. 2015-2020" Non-convertible Bonds	IT0005074577	4,708,507

* * * * * *

TABLE 2: PERFORMANCE OF SECURITIES IN 2016

PERFORMANCE OF SECURITIES				
	Maximum value		*Minimum value*	
	Month	*Price*	*Month*	*Price*
Ordinary shares	February	0.3148	July	0.1838
Savings shares	January	0.4817	November	0.3200
Intek Group 2015-2020 bonds	April	103.69	January	100.40

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2.2. Restrictions on the transfer of securities (pursuant to article 123-bis, paragraph 1, letter b), TUF)

The Articles of Association do not contain transfer restrictions pertaining to shares or the "Intek Group S.p.A. 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 (pursuant to article 123-bis, paragraph 1, letter c), TUF)

On 31 December 2016, and unchanged at the date of this report, the investment of Quattroduedue Holding B.V. in the Company is 158,067,506 ordinary shares, corresponding to 45.749% of the share category for this category. This shareholding is held through the wholly-owned subsidiary Quattroduedue S.p.A. insofar as 158,067,500 ordinary shares while the remaining six ordinary shares which do not affect the percentage above, are directly owned by Quattroduedue Holding B.V.

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

As per the memorandum issued on 2 July 2016, 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 Srl (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 2019, 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.

According to the information available to the Company, based on the Shareholders' Register, the only shareholder possessing over 5% of the share capital is Quattroduedue Holding BV.

The Company has about 6362 shareholders, according to the Shareholders' Register.

At 31 December 2016, the Company held 5,713,572 ordinary treasury shares, or 1.65 % of that class of shares and 1.44% of total share capital and 11,801 saving shares equal to 0.0236% of that class of shares and 0.003% of total share capital. The total treasury shares held by Intek Group at 31 December 2016 amount to 5,725,373 shares, representing 2.89% of the Company's share capital.

2.4. Securities with special control rights (pursuant to article 123-bis, paragraph 1, letter d), TUF)

No securities have been issued conferring special control rights.

2.5. Employee share scheme, mechanism for the exercise of voting rights (pursuant to article 123-bis, paragraph 1, letter e), TUF)

There is no employee share-option scheme.

2.6. Restrictions on voting rights (pursuant to article 123-bis, paragraph 1, letter f), TUF)

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

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

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

2.7. Shareholders’ agreements (pursuant to article 123-bis, paragraph 1, letter g), TUF)

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 2019 and is published on the company's website www.itkgroup.it

2.8. Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h), TUF) and provisions of the Articles of Association on takeover bids (pursuant to articles 104, paragraph 1-ter, and 104-bis, paragraph 1, TUF)

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

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

2.9. Delegated powers regarding share capital increases and the purchase of treasury shares (pursuant to article 123-bis, paragraph 1, letter m), TUF)

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

As indicated above, the Shareholders’ Meeting held on 31 May 2016 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, with a maximum financial commitment of Euro 3,000,000.

As at the date of this Report, the Company holds 5,713,572 ordinary shares equal to 1.65% of the voting capital and 1.44% of the total capital.

Regarding the incorporation of FEB - Ernesto Breda, whose merger was concluded on 1 December 2016, effective from 9 December 2016, 2,006,368 ordinary treasury shares held by the Company as at 1 December 2016, which were considered not available for the reasons pursuant to which they are currently restricted, were used for the share swap, so that, as at the date of this Report, 952,428 of said instruments remain.

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

2.10. Management and coordination activity (pursuant to article 2497 et seq. of the Italian Civil Code)

Though the Company is controlled by Quattroduedue Holding B.V. through Quattroduedue S.p.A., as indicated above, it is not 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 "Regulation on Markets"), 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 Risk Committee consists exclusively of Independent Directors pursuant to article 37, paragraph 1-bis of the Market Regulation.

* * * * *

The information required by article 123-bis, paragraph 1, letter i) of the TUF, ("agreements between companies and Directors … which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid") are contained in the Report on Remuneration published pursuant to article 123-ter of the TUF;

The information required by article 123-bis, paragraph 1, letter l) of the TUF ("rules applying to the appointment and replacement of Directors … and to amendments to the Articles of Association if different from those applied as a supplementary measure") are illustrated in the section of this Report dedicated to the Board of Directors (section 4.1).

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 on the Corporate Governance Committee website at http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

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 Corporate Governance Code 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 the Articles of Association, the procedures adopted and as illustrated in this report, shows the commitment of the Intek Group to comply with commonly shared best practices.

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

4. Board of Directors

4.1. Appointment and replacement of Directors (pursuant to article 123-bis, paragraph 1, letter l), TUF)

The requirements for the appointment and replacement of members of the Board of Directors are those pursuant to applicable laws as supplemented by the Company Articles of Association (article 17). 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 the Articles of Association).

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

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

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

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders' Meeting and they shall be made available at least 21 days beforehand at the registered office, 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 Issuers' Regulation and the one defined by Consob itself pursuant to resolution 19856 of 25 January 2017. 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 Articles of Association provides that they are at least equal to the "minimum number and meet the conditions required by law";
- the prerequisite for Directors to be considered as independent shall be assessed pursuant to article 147-ter, paragraph 4 of the TUF as well as article 148 paragraph 3 of the TUF, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Corporate Governance Code.
- the selection of the Directors to be elected be based on criteria that ensure equilibrium between the genders. The least represented gender must constitute at least one fifth of the Directors elected on the occasion of the first mandate subsequent to 12 August 2012 and, one third subsequently, in any case rounded upwards.

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

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

b) if no other candidate is listed in the above list, or no other candidates with the required requisites are available, or in any case when, for any reason whatsoever, it is not possible to comply with the provisions set out in item a), the Board of Directors shall replace the vacancy, and the Shareholders' 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.

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.C.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 (pursuant to article 123-bis, paragraph 2, letter d), TUF)

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 Articles of Association provide for a variable number of Directors, the minimum being 7 and the maximum 11).

The term of office is 3 financial years and therefore up to the date of the Shareholders’ Meeting called for the approval of 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 S.p.A. (holding 45.75% of ordinary capital) in compliance with the procedure required by article 17 of the Articles of Association. 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.

On 31 May 2016, the Shareholders’ Meeting, which had approved the financial statements for the year ended 31 December 2015, appointed Ruggero Magnoni Director to replace Salvatore Bragantini, who resigned on 18 April 2016 due to other commitments which no longer allowed him to devote the necessary time to the work of the Board of Directors. Therefore, the members of the Board of Directors became nine, as resolved by the aforementioned Shareholders’ Meeting on 19 June 2015.

As at the date of this report, there are nine Directors in office. Following we provide their names with an indication of the offices also held within the Committee that was 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 Issuers’ 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 Deputy 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 half-year financial statements.

Following is the information relative to all the Directors that were in office during 2016.

Vincenzo Manes (Executive 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 the 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 S.p.A. on 14 February 2005 and was the Chairman and Managing Director of iNTEk S.p.A. until the date of the Merger.

He is the Chairman of the KME AG Vorstand, and previously was part of the company’s Supervisory Committee.

During 2015, Vincenzo Manes was appointed as Director, Chairman of the Independent Directors Committee and as a member of the Remuneration Committee of Tod’s Group S.p.A. and a member of the Board of Directors of Compagnia Immobiliare Azionaria – CIA S.p.A. In 2016, he was also appointed Director of Class Editori S.p.A.

Diva Moriani (Executive Deputy Chairwoman)

Ms. Diva Moriani who was born in 1968, holds a degree in Economics and Business and joined iNTEk S.p.A. in 1999 and she 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 S.p.A. In addition, until 2014, she has been a Director of I2 Capital Partners SGR S.p.A., a company of which she was the Managing Director until 1 December 2012, and she is also a Director of Cobra Automotive Technology S.p.A.

In its meeting of 19 June 2015, the company’s Board of Directors confirmed her appointment as 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 furthermore 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 Chairman of the Remuneration and Appointments Committees of ENI S.p.A. and Director and Chairwoman of the Remuneration and Appointments Committees and a member of the Related Party Committee of Moncler S.p.A.

In 2016, she was appointed as Director and a member of the Remuneration, Appointments and Related Parties Committee of Generali Group S.p.A.

Salvatore Bragantini

Salvatore Bragantini was born in Imola in 1943 and holds a degree in Economics and Business from the University of Rome which he received with a grade of 110 with honours in July 1967. He has been a CONSOB commissioner from 1996 until 2001, the Managing Director of Centrobanca and ARCA Impresa Gestioni S.p.A., President of Pro MAC S.p.A. and has also held other positions in banks and businesses.

Within Intek Group he has been the Chairman of I2 Capital Partners SGR S.p.A. from 2005 to 2013 and the Non-Executive Director of Intek Group from 11 June 2014 to 18 April 2016.

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

Marcello Gallo

Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economy. He was the Deputy Chairman of iNTEk S.p.A. from 2007 to the 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 S.p.A. and Alpi Fondi SGR S.p.A. (parent company of the Fund managed by I2 Capital Partners).

He was the Chairman of FEB - Ernesto Breda S.p.A. until 9 December 2016, the date on which the merger by incorporation into Intek Group began.

He joined the Board of Directors of Intek Group on 14 February 2005 as Non-Executive Director.

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 and Fondazione Dynamo.

Giuseppe Lignana (independent)

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

He joined the Board of Directors of Intek Group on 12 January 2005 as Independent Director. In addition, he is Chairman of the Company's Control and Risk Committee.

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 S.p.A. Board of Directors from 1996 to 2012.

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

He joined the Board of Directors of Intek Group on 30 April 2013 as Non-Executive Director.

Ruggero Magnoni

Ruggero Magnoni was born in 1951 and received his degree from the Luigi Bocconi University of Milan and his master's degree from Columbia University, he has covered various top management positions in major international financial institutions and, in particular, he was the Deputy Chairman of Lehman Brothers and Lehman Brothers International Italy.

He is currently a Director of Compagnie Financière Richemont SA, OmniaInvest S.p.A. and is part of the Supervisory Board of the parent company Quattroduedue Holding BV, of which he is a shareholder.

He is a Non-Executive Director of Intek Group as from 31 May 2016.

Alessandra Pizzuti

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 Non-Executive Director of Intek Group from 19 June 2015 and she is a member of the Supervisory Boards of KME AG and KME Germany bet. GmbH.

She was appointed as Director of the subsidiary ErgyCapital S.p.A. in 2016.

Luca Ricciardi (independent)

He was born in 1973 and received his degree in Business Administration from the University of Pisa. He worked for several years for Accenture, a strategic - organizational consulting firm.

He is currently the administrative manager of the Liguria Region Health System where he is in charge of financial statements after having followed the budget and planning for several years. He was an independent Director and member of the Internal Control Committee of Intek S.p.A. from 2011 to 2012.

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

He is an independent Director of Intek Group S.p.A. from 30 April 2013 and a member of the Control and Risk Committee.

Franco Spalla (independent)

Born in 1952, he received his degree in Business Administration from the University of Turin and began his career as a bank employee within the credit sector and has also worked as a business consultant.

From 1988 to 2001 he was the Managing Director of Fenera Holding S.p.A., a Turin-based holding company and for over 10 years he was an Independent Director and member of the Internal Control Committee of Intek S.p.A. He has been a Director, member of the Remuneration Committee and Internal Control Committee of GIM - Generale Industrie Metallurgiche S.p.A.

He is the Deputy Chairman of Basic Net S.p.A., a company listed on the MTA which is managed by Borsa Italiana, and was the Managing Director of this company until 2016.

He is an independent Director of Intek Group S.p.A. from 30 April 2013 and a member of the Control and Risk Committee.

* * * * * *

A table showing positions as Director or Statutory Auditor held by each of them at 31 December 2016 in other joint-stock companies, partnerships limited by shares and private limited companies is set out below.

Name	Company	Office
Vincenzo Manes		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Directors
	Fondazione 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 Board of Directors (*Vorstand*)
	Fondazione Italia per il dono	Member of the Board of Directors
	Tod’s Group	Member of the Board of Directors
	Compagnia Immobiliare Azionaria (CIA) S.p.A.	Member of the Board of Directors
	Class Editori	Member of the Board of Directors
	Fondazione Vita	Chairman of the Board of Directors
Diva Moriani		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	Ergycapital S.p.A. (1) (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 Srl	Member of the Board of Directors
	KME A.G. (1)	Managing Director in the Board of Directors (*Vorstand*)
	KME Srl	Chairman of the Board of Directors
	Moncler S.p.A.	Member of the Board of Directors - Chairman of the Remuneration and Appointments Committee and member of the Related Party Committee
	ENI S.p.A.	Member of the Board of Directors – Chairman of the Remuneration and Appointments Committees
	Generali Group	Member of the Board of Directors - Member of the Remuneration and Appointments committee and member of the Related Party Committee

Marcello Gallo		
	Intek Group S.p.A. (2)	Member of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Managing Director
	Intek Investimenti Srl (1)	Chairman of the Board of Directors
	ISNO 3 Srl	Chairman of the Board of Directors
	KME A.G. (1)	Member of the Supervisory Board
	Dynamo Academy Srl	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 S.p.A.	Chairman of the Board of Directors
	Alpi Fondi SGR S.p.A.	Chairman of the Board of Directors

Giuseppe Lignana		
	Intek Group S.p.A. (2)	Member of the Board of Directors and Chairman of the Control and Risk Committee

James Macdonald		
	Intek Group S.p.A. (2)	Member of the Board of Directors
	Hanseatic Americas Ltd.	Director
	Hanseatic Europe Sarl	Manager
	Hansabay Pty. Ltd.	Director

Ruggero Magnoni	APLOMB Srl	Member of the Board of Directors
	Raffaele CARUSO S.p.A.	Member of the Board of Directors
	Compagnie Financiere Richemont SA	Member of the Board of Directors and Audit Member
	Compagnie Financiere Rupert	Member of the Board of Directors
	Intek Group S.p.A. (2)	Member of the Board of Directors
	Respublica Fondazione di Cultura Politica	Deputy Chairman
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Giuliano e Maria Carmen Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia Onlus	Founding Member and Chairman
	IMMSI S.p.A. (2)	Member of the Board of Directors
	Omniainvest S.p.A.	Member of the Board of Directors
	M&M Capital Ltd.	Chairman
	Lehman Brothers Foundation Europe	Trustee
	Quattroduedue Holding BV	Supervisor Director
	Istituto Javette Bocconi Manca di Villahermosa Associazione “Amici della Bocconi”	Member of the Consulting Committee

Trilantic Capital Partners Europe	Senior Advisor and Member of the Advisory Council

Alessandra Pizzuti		
	Intek Group S.p.A. (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
	Ergycapital S.p.A. (1) (2)	Member of the Board of Directors

Luca Ricciardi		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors and of the Control and Risk Committee

Franco Spalla		
	BasicNet S.p.A. (2)	Deputy Chairman
	BasicWorld Srl	Member of the Board of Directors
	Jesus Jeans Srl	Managing Director
	Basic Properties BV	Chairman of the Board of Directors
	Basic Properties America Inc.	Member of the Board of Directors
	Basic Trademark SA	Member of the Board of Directors
	Superga Trademark SA	Member of the Board of Directors
	Intek Group S.p.A. (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.

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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 2016 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 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 consideration of the high professional level of the Directors, to date the Company has not considered it necessary to provide them, after their appointment, with adequate information regarding the sectors in which it operates, the company dynamics and its evolution as well as the reference regulatory framework; this is also due to the updates, data and documents periodically provided to the Directors themselves in the various meetings of the Board, where information regarding the performance of the Group's businesses is provided or resolutions of a strategic nature are made.

4.3. Role of the Board of Directors (pursuant to article 123-bis, paragraph 2, letter d), TUF)

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

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

According to the 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 meeting of the Board of Directors 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 half-year report at 30 June;
- the interim reports at 31 March and 30 September.[1]

During 2016, the Board of Directors met 8 times.

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

In the year under way, there have been two meetings of the Board of Directors and an additional two meetings are planned.

It is normal practice 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.

With regard to **Application Criterion 1.C.6**, it is noted that the Director of Legal and Corporate Affairs, who also acts as the Secretary of the Board, and the Manager in charge of Financial Reporting, who also covers the position of Administrative Director, attend the Board meetings on a regular basis. Other Company managers or professionals, who have been hired to assist the Company in specific matters or transactions, may participate in certain meetings of the Board, upon invitation of the Chairman.

[1] *It is hereby noted that in implementation of the new EU Transparency Directive, Legislative Decree 25/2016 eliminated the obligation of publishing the interim Report on Operations from 2016.*

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

Pursuant to the Articles of Association (art. 20), the Chairman is the legal representative of the company, including insofar as representation in the courts, and also has corporate signing powers. The other Directors shall represent the Company to the extent permitted by the powers conferred on 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 I2 Capital Partners SGR S.p.A., I2 Real Estate Srl, Immobiliare Pictea 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 companies and/or national or foreign entities of for 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 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 Risk Committee and the support of adequate external professionals, the Board had carried out during 2015 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 Merger.

This process did not indicate any critical areas and the monitoring continued in 2016 and in the year under way.

At the end of each six-month period, the Board of Directors examines the report produced by the Control and Risk 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 26 April 2017, 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 26 April 2017, 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), both 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 Articles of Association, to which reference should be made for further details, the Chairman is the legal representative of the Company and has full powers to represent the Company in dealings with third parties and in legal proceedings.

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

It should be noted that Mr. Manes was appointed as Chairman of the Board of Directors 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 Managing Director Vincenzo Cannatelli renounced to the operating powers conferred upon him as a Managing Director, 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, Alessandra Pizzuti, 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 as at 31 December 2018.

* * * * * *

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 Intek 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 also for 2016.

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.

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 S.p.A., 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 Issuers’ Regulation which gives the option for companies to be exempted from the obligation to disclose an Information Document in the event of significant mergers, demergers and share capital increases through contributions in kind, acquisitions and sales.

It is hereby noted that, as from 18 March 2016, the new Transparency Directive (Legislative Decree 25/2016) entered into effect. Among other things, it amended paragraph 2 of article 154-ter of the TUF, eliminating the obligation to publish the interim Report on Operations thereby granting a longer time period for approval of the consolidated half-year report, must be provided as soon as possible, and in any case within 3 months from the half-year closing date.

Consob has been granted specific powers to establish, through its own regulation, any obligations to publish additional periodic financial information. Pursuant to the results of a public consultation, Consob resolved not to implement any additional obligations, allowing the individual issuers to select whether to publish these updates or not.

In consideration thereof, the Company did not disclose information regarding the first and third quarter of 2016 and it decided not to publish the subsequent interim reports on operations as at 31 March and 30 September. However, price sensitive information will be immediately disclosed.

Following the entry into effect of the aforementioned Transparency Directive and the European regulation 596/2014 concerning market abuse, after careful consideration, the Company decided to update its procedures on internal dealing and insider information.

To this end, and with the approval of the Control and Risk Committee, Intek Group had previously established a work group which involved, with the support of external experts, various corporate functions working on the correct performance of obligations ensuing from this new regulation.

Upon completion of the work, the internal dealing and insider information procedures were updated and submitted to the attention of the Control and Risk Committee and the Board of Statutory Auditors which approved them, as did the Board of Directors, though noting that they could be integrated given that Consob has not provided deadlines on certain points regarding the new MAR regulation, particularly in the event that it is necessary to delay disclosure of the information while not compromising the outcome of transactions that are underway or the dissemination of which could be detrimental to the Company.

6. Committees within the Board of Directors (pursuant to article 123-bis, par. 2, letter d), TUF)

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 (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 related-party transactions with the applicable legislative and regulatory measures as well as their observance.

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 better specified in paragraph 8 below and the Report on Remuneration, to which reference is made.

7. Appointments Committee

The Appointments Committee (as provided by Principle 5.P.1 of the Code) has not been established since, pursuant to the provisions of the Criterion 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 Committee previously in office expired with the Shareholders' Meeting that approved the financial statements as 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 Borsa Italiana, decided not to re-establish this 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/investee companies which are considered to be investments, will be handled exclusively by the administrative bodies of the individual subsidiaries/investee companies.

The incentive criteria for Executive Directors will be increasingly connected to reaching specific asset valuation objectives and portfolio of 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 Managers with strategic responsibilities and for monitoring that the fixed objectives were indeed reached.

The duties established by the Corporate Governance Code insofar as the Remuneration Committee is concerned (see Criterion 6.C.5) can therefore 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 cognizant 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 Issuers’ 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 by the Board of Directors.

The Control and Risk 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;
- expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;
- examines the work schedule and the periodic reports prepared by the internal audit function;
- monitors the autonomy, adequacy, efficiency and efficacy of the internal audit function;
- 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;

- reports to the Board, at least every six months, when the annual and half-year financial reports 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 became aware of.

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

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

The Committee met five times in 2016, compared to six 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 are taken.

It met twice in 2017; 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 Corporate Governance Code, the Control and Risk Management System (hereinafter the "**CRMS**") is a group of rules, procedures, and organisational structures aimed at identification, measurement, management and monitoring of the major corporate risks.

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

The Intek Group administrative-accounting internal control system, focused on the management of risks inherent 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 and in particular the COSO-Internal Control-Integrated Framework[2], which defines internal control as a process implemented by the management of the Company and other associates in order to provide reasonable certainty regarding the achievement of objectives included in three categories (operation, reporting and compliance objectives).

The principles which are followed, pursuant to COSO – *Internal Control – Integrated Framework*, aim to ensure:

a) efficacy and efficiency of operations (operations objective);

[2] COSO - *Committee of Sponsoring Organizations of the Treadway Commission, Internal Control - Integrated Framework,* May 2013.

b) the preparation and publication of financial and other reports, for internal and external distribution, containing information which is timely and transparent as well as compliant with the requirements of the various regulatory entities and organizations that define recognised standards or policies (reporting objectives);

c) compliance with the laws and the regulations (compliance objectives).

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 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.

Following are the main steps of a corporate risk management process:

- identification of risks;
- assessment of risks;
- identification of risk management measures;
- assessment of risk management measures;

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

In order to comply with the provisions set forth in article 154-bis of Legislative Decree 58/98 relative to certification of adequacy and the actual application of administrative and accounting procedures for the preparation of the separate and consolidated financial statements of the Company during the financial year, the Manager in charge of Financial Reporting has prepared and carried out a program for compliance with the requirements under article 154-bis of the TUF, with the support of the consulting company Operari Srl.

The structuring of the compliance programme refers to the COSO - Internal Control – Integrated Framework which has been supplemented with guidelines and best practices such as:

- Consolidated Law on Finance/TUF – Leg. Decree 58/98
- Consob regulations;
- ANDAF Guidelines;
- *International Standards of Auditing*;
- *International Professional Practices Framework of The Institute of Internal Auditors*.

The adoption of standards and regulations, domestically and internationally, has made it possible to construct a work program the purposes of which are to ensure reliability[3], accuracy[4], transparency[5] and timeliness[6] of the financial reporting.

This approach can be summarized as being comprised of the following methodological phases:

- definition of the scope of activity in terms of entities and items which are significant for the purposes of the compliance programme under review (scoping phase);
- analysis and risk assessment of the financial information concerning the items considered to be significant for the purposes of the certification of the 2016 financial statements (risk assessment phase);
- identification and definition of the set of internal controls between the entities which are included in the compliance programme for the financial year, through integration of the internal control system of each entity to form a single "internal control system" Model which is uniform and applicable to the parent company and the subsidiaries involved in the project, characterized by monitoring practices, principles and methodologies for maintenance and assessment of the internal control system which are unique and valid for the entities included in the scoping phase (mapping phase);
- preparation and execution of the compliance test procedures on internal administrative - accounting controls and documentation of the results obtained, as the basis for the opinion regarding their efficacy and actual application by the entities during the reference period and throughout the processes included in the scope of the project (compliance testing phase);
- sharing with the management of any opportunities for improvement as these arise from the tests carried out in order to promote improvements in the internal control system.

Phases of the risk management and internal control systems in relation to the financial reporting process

The compliance programme begins from definition, using quantitative analysis, of the scope of activity and therefore the entities involved and the significant items associated with the business cycles, including the process of closing and preparing the separate and consolidated financial statements, as an active part of the control system.

The process of identifying and assessing the main risks connected to the accounting information was conducted for the Parent Company and the entities involved in the scope of activity, using a risk-based approach.

The accounting-administrative risk assessment activity led to identification of the significant accounting item associated with the relative accounting process/flow, for each entity included in the analysis. Each item was subjected to a qualitative evaluation of inherent risk through association and subsequent assessment of financial statement assertions[7] referring to the significant accounting items.

[3] Reliability (of the information): information that is characterized by correctness and compliance with the generally accepted accounting principles and fulfils the requirements set by the laws and the applicable regulations

[4] Accuracy (of the information): information that is characterized by neutrality and precision. Information is considered neutral if it is free of preconceived distortions which can influence the decision-making process of its users in order to obtain a predetermined result.

[5] Transparency (of the information): information that is characterized by clarity and completeness so as to assist investors in making informed decisions. Information is considered clear if it facilitates comprehension of complex aspects inherent in the entity, without being excessive or superfluous.

[6] Timeliness (of the information): information that complies with the deadlines set for its publication.

[7] **Existence and occurrence (E/O)**: the assets and liabilities of the company exist as at a certain date and the transactions recorded represent events that actually took place during a specific period of time;

Completeness (C): all the transactions, assets and liabilities to be recognised have actually been included in the financial statements;

Rights and obligations (R/O): the assets and the liabilities of the company respectively represent its rights and obligations as at a certain date;

Valuation and accuracy (V/A): the assets, liabilities, equity, revenues and costs are recorded in the balance sheet at their correct amounts, pursuant to the reference accounting standards;

Presentation and disclosure (P/D): the items are correctly named, classified and explained.

The risks and control activities identified were integrated into a specific framework which was populated by specific control objectives classified using the standard CAVR ([8]) and directly correlated with the aforementioned financial statement assertions.

The controls used in the Group can be classified under two main categories in accordance with international best practices:

- *entity level control*, at Group or individual subsidiary level (assignment of responsibilities, powers and mandates, separation of duties and assignment of privileges and rights to access IT applications);
- *process level control*, (authorisations, reconciliations, verifications of consistency, etc.) with respect to operational processes, closing the books and so-called “cross-segment” controls relating to the Group’s IT services.

These 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.

In order to express a professional opinion on the actual execution and efficiency of the accounting-administrative internal controls in the financial year and based on the results of the follow-up, the compliance test procedures were updated and implemented, with documentation of the relative results through requests to the company representatives for records relating to the internal controls expected, the data and the transactions carried out and in general their willingness to prove that the controls were actually implemented and/or that no errors occurred with regard to the transactions which were selected. During the compliance tests set forth in the compliance programme described above, the consulting company Operari Srl provided updates on the activity, its progress and the final outcomes to the Manager in charge who in turn informed the top management and the Director in charge, the Control and Risk Committee, which in turn reported to the Company’s Board of Directors and Board of Statutory Auditors.

Based on the results of this compliance program, the Managing Director and the Manager in charge of Financial Reporting certified the adequacy and efficacy of the internal control system for the financial year within the deadlines and in the form required by the CONSOB Issuers' Regulation.

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

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

The risk assessment carried out focused on the objectives (and risks) belonging to the operations and compliance areas, excluding from the latter area the particular portions which are already covered by specific assessment processes and the risk management area in general (e.g. law 231/2001; 81/08, etc.). Similarly, as indicated above, the administrative-accounting area was excluded from the internal audit process as it is already covered in terms of risk assessment and internal controls through the specific program supporting the statement of the Manager in charge of Financial Reporting pursuant to art. 154-bis of the TUF.

[8] Completeness, Accuracy, Validity and Restricted access.

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 depending on of the changes in the reference environment.

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, Tester) who directly report to the Director in charge.

The Manager in charge monitors the risk management and internal control system relating to financial reporting and is responsible for the identification and valuation phases of the financial reporting risks and the identification and valuation of the controls in place for the risks identified.

Each of the phases above corresponds to a specific system output: risk details, assessment thereof in terms of the inherent risk, list of controls and mapping of the risk and item controls (control framework), valuation of the controls, valuation of the residual risk and identification of any improvement actions.

The risk valuation phase and the adequacy and efficacy of the relative controls is carried out by the Manager in charge who is supported by the consulting company Operari Srl.

Based on the assessment of the inherent risk and the relative controls, the Manager in charge assesses the residual risk, carries out any further framework updating activities and solves and monitors any non-compliances.

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

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

As part of his duties, the Director in charge supervised the identification of the main corporate risks (strategic, operating, financial and compliance) taking into account the characteristics of the activities carried out by the Company and its subsidiaries and periodically submitted them for examination by the Board (Application Criterion 7.C.4, a).

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

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

As part of the mandate conferred upon him, the Director in charge is entitled to request the Head of Internal Control to carry out verifications on specific operating areas and on the compliance with the rules and internal procedures in the execution of corporate operations, concurrently reporting to the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors.

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

11.2. Head of Internal Control

The Head of Internal Controlis responsible for internal audit.

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

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

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

As required under Principle 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 Srl, defining his remuneration. This took place pursuant to the favourable opinion of the Control and Risk 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.

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 internal dealing procedures, the insider information and the transactions with related parties, compiled by the administrative offices together with the Internal Control function and verified, with the opinion in favour of the Supervisory Board and the Control and Risk 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.

It is hereby noted that during 2016 one of the members of the Supervisory Board resigned due to new commitments undertaken, and a new external professional was appointed in his place.

11.4. Independent Auditors

Deloitte & Touche S.p.A. (hereinafter referred to as "Deloitte") has been appointed to perform the audit, pursuant to articles 155 et seq. of the TUF, of the consolidated and separate financial statements as well as the condensed consolidated half-year report of Intek Group S.p.A.

Deloitte is the "Primary Auditor". The current mandate was approved by the Shareholders' Meeting on 31 May 2016 at the recommendation of and for the reasons cited by the Board of Statutory Auditors, and will end with the financial statements as at and for the year ended 31 December 2024.

The person in charge of the mandate for the Indipendent Auditors is Maurizio Ferrero. Article 17, paragraph IV of Legislative Decree 39 of 27 January 2010 (the "**Consolidated Law on Auditing**") sets the maximum duration for such an office at six years.

The total fees paid by the Company amount to Euro 110 thousand. The total fees paid at Group level were Euro 882 thousand. Please refer to the notes to the separate financial statements for further information.

During the year, the Independent Auditors and companies belonging to the same network were assigned further mandates amounting to Euro 268 thousand.

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

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

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

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

The Manager in charge of Financial Reporting provides periodic reports to the Director in charge, the Control and Risk 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.

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

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

12. Interests of Directors and Transactions with Related Parties

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

The Procedure applicable to transactions with related parties (hereinafter the "**Procedure**"), adopted in March 2003, was updated several times over the years, the last time being 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, in the 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 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 Procedure 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 the 5 August 2015, the Board of Directors resolved to no longer consider as related parties the Executive Directors of the sub-holding company KME AG as it is considered as an investment. In addition, I2 Capital Partners SGR is no longer considered to be strategic, since, following conclusion of the investment period, this 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, timeframes, origin and extent. Those Directors who have such an interest are also obliged to abstain from voting on the issue and they shall not participate in the related procedure, except in the case where a different and unanimous resolution is passed by the Board of Directors on the issue.

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

Group subsidiaries are required to comply with the Procedure, 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 Risk 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 applicable legislative and regulatory measures as well as their observance;
- 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 requiring 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 Managers with strategic responsibilities and, in the specific case of Intek Group, it was decided that the Board of Directors is also able to carry out the duties required of a Remuneration Committee pursuant to Criterion 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. Managers, members of the administration and control bodies of subsidiaries, their Managers, as well as representatives of the Independent Auditors may also be invited.

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

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

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

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

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

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

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

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

Furthermore, the corresponding transactions of an amount in excess of Euro 5 million as well as those of a lesser amount for which a conflict of interests situation exists involving both the Chairman and the Deputy Chairwoman 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 Risk 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 Risk Committee, has the faculty to call a meeting of the Board, within three days, for the purpose of passing a resolution regarding the approval of this type of transactions.

The Internal Regulations are not applicable to the following:

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

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

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

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

1. the mere sharing of one or more directors, or key management personnel, between the Company and its subsidiaries and associates;
2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the remuneration of key management personnel that is no greater than Euro 200,000.00, calculated cumulatively on a yearly basis, between subsidiaries and associates, on the one hand, and other related parties of the Company, on the other hand, and that, in any case, impact, or are impacted by, the transaction in question;
3. the existence of Incentive plans based on financial instruments or, in any case, on variable remuneration, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are Directors or key management personnel, also of the Company, and when the transaction in question is less than

5% of the results achieved by the subsidiaries and associates, on which the incentives are calculated;

4. when the party that controls the Company holds 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 on Operations, regarding the following issues:

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

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

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

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

When transactions of greater importance take place, also when carried out by Italian and foreign subsidiaries, pursuant to article 114, paragraph 5, of the 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 Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company as it actual operations.

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

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders' Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana S.p.A. The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.
- if during this time period only one list is presented or lists which are connected among themselves are presented pursuant to applicable laws, lists can be submitted up to the third day subsequent to the expiration day of the submission at the registered offices. In this case, the threshold is halved;
- the presence in the list of one Alternate Auditor designated by minority Shareholders as a substitute, if required, for the Auditor also selected from a 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 Shareholder with the largest shareholding 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, paragraph 1 of the TUF, in respect of the provisions, can submit lists. Based on article 144-quarter, paragraph 2 of the TUF, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its resolution 19856 of 25 January 2017;
- 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 Articles of Association relative to the appointment of the Board of Statutory Auditors are available in the specific section of the website www.itkgroup.it and we reiterate that the procedure has been updated and made compliant with the new applicable provisions, the latest based on the resolution of the extraordinary Shareholders' Meeting held on 11 June 2014.

14. Composition and Functions of the Board of Statutory Auditors (pursuant to article 123-bis, paragraph 2, letter d), TUF)

The current Board of Statutory Auditors was appointed as proposed by Quattroduedue S.p.A. (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 the Articles of Association, would be the highest in accordance with articles 147-ter, paragraph 1 of TUF and 144-quater of the Issuers' Regulation.

To this end, it is hereby reiterated that currently, this percentage for Intek Group is equal to 4.5% pursuant to the Consob resolution 19856 of 25 January 2017.

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 2016 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 from 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 and 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, she works as 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.

* * * * * *

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 regulations and the Articles of Association and that he/she is not subject to any of the impediments listed in article 148 of TUF and undertakes to notify the Company within thirty days of any changes. The Board of Directors and the Board of Statutory Auditors also verify that each of their members still qualifies as independent in accordance with the law and article 8.C.1 of the Code.

These verifications involved the position as the Standing Auditors of Marco Lombardi, Francesca Marchetti, Alberto Villani, Elena Beretta 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 supervision of the actual implementation of the Corporate Governance Code.

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

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

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

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

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

The Board of Statutory Auditors regularly carries out its activities and constantly 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 Risk 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.

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 the Indipendent Auditors.

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 Issuers’ Regulation) contained in the Report on Remuneration.

During 2016, the Board of Statutory Auditors met 4 times (5 times in 2015); participation in the meetings by the members was 100% (as in the previous year). The average duration of the meetings of the Statutory Auditors was approximately 2 hours.

During this year, the Statutory Auditors met 2 times.

In 2016, 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 the exception of the meeting held on 29 June 2016, when no Statutory Auditor was present.

Participation in these meetings also provides the opportunity for coordinating information flows to the extent of the respective functions of the Board itself, the Head of Internal Control, the Director in charge, the Independent Auditors 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 2016 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	**Company**	**Office**
Marco Lombardi		
	RECS S.s. of Contraego 2 and Lombardi Piero	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 S.p.A. (2)	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A.	Standing Auditor
	Editoriale Fiorentina Srl	Standing Auditor
	Associazione Palazzo Strozzi	Alternate Auditor
	Stella Polare Onlus	Alternate Auditor
	Fondazione Angeli del bello	Member of the Board of Auditors
Francesca Marchetti		
	ErgyCapital S.p.A. (2)	Standing Auditor
	INTEK Group S.p.A. (2)	Standing Auditor
	Nuovi Investimenti SIM S.p.A.	Standing Auditor
	Alpi Fondi SGR S.p.A.	Standing Auditor

Festa Trasporti e Logistica Srl Unipersonale	Standing Auditor

Alberto Villani		
	INTEK Group S.p.A. (2)	Standing Auditor
	AGB Nielsen M.R. Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	Borgogestion Srl	Sole Director
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Calvi S.p.A.	Member of the Board of Directors
	Compagnia Padana per Investimenti S.p.A.	Alternate Auditor
	Combi Line International S.p.A.	Standing Auditor
	Carcano Antonio S.p.A.	Standing Auditor
	De Longhi Capital Services Srl	Standing Auditor
	De Longhi Appliances Srl	Standing Auditor
	Effe 2005 Gruppo Feltrinelli S.p.A.	Standing Auditor
	Finmeg Srl	Standing Auditor
	Fratelli Consolandi Srl	Chairman of the Board of Statutory Auditors
	Gallerie Commerciali Bennet S.p.A.	Standing Auditor
	GCG Scarl in liquidazione	Liquidator
	Generalfrigo Srl	Standing Auditor
	HDP S.p.A.	Chairman of the Board of Statutory Auditors
	I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Statutory Auditors
	Immobiliare Andronica S.p.A.	Alternate Auditor
	Impresa Luigi Notari S.p.A.	Alternate Auditor
	ISNO 3 Srl	Chairman of the Board of Statutory Auditors
	Kiepe Electric S.p.A.	Standing Auditor
	Lambda Stepstone Srl	Standing Auditor
	Meg Property S.p.A.	Standing Auditor
	Nuova GS S.p.A.	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Pamal Srl	Member of the Board of Directors
	Quattroduedue S.p.A.	Chairman of the Board of Statutory Auditors
	Royal Immobiliare Srl	Sole Director
	Selecta S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Digital Services S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Taas S.p.A.	Chairman of the Board of Statutory Auditors
	SO.SE.A. Srl	Member of the Board of Directors
	Tenuta Montemagno Soc. Agricola S.p.A.	Chairman of the Board of Statutory Auditors
	Vetus Mediolanum S.p.A.	Standing Auditor

Viator S.p.A. in liquidazione	Alternate Auditor

Elena Beretta		
	Fratelli Consolandi Srl	Standing Auditor
	Immobiliare Venezia Srl	Alternate Auditor
	Impresa Costruzioni Grassi e Crespi Srl	Alternate Auditor
	INTEK Group S.p.A. (2)	Alternate Auditor
	ISNO 3 Srl	Alternate Auditor
	Lariohotels S.p.A.	Alternate Auditor
	Quattroduedue S.p.A. (1)	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Alternate Auditor
	Selecta S.p.A.	Alternate Auditor
	Selecta Digital Services S.p.A.	Alternate Auditor
	Selecta Taas S.p.A.	Alternate Auditor
	Stips Italie S.p.A.	Alternate Auditor
	Viator S.p.A. in liquidazione	Alternate Auditor

Andrea Zonca		
	Fidiger S.p.A.	Chairman of the Board of Statutory Auditors and Member of the Supervisory Board
	Immobiliare Cerreto S.p.A.	Chairman of the Board of Statutory Auditors
	Erich Weitzmann S.p.A.	Member of the Board of Directors
	So.Se.Co. Srl	Member of the Board of Directors
	Arsonsisi S.p.A. (JColors Group)	Standing Auditor
	Dalmar S.p.A.	Chairman of the Board of Statutory Auditors
	Dalmar Impianti S.p.A.	Standing Auditor
	Axxam S.p.A.	Standing Auditor
	Environnement Italia S.p.A.	Standing Auditor
	Clovis Oncology Italy Srl	Standing Auditor
	Impresa Luigi Notari S.p.A.	Standing Auditor
	ISNO 3 Srl	Standing Auditor
	Magnetor Srl	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Tankoa Yachts S.p.A.	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Standing Auditor
	Safim Leasing S.p.A. in liquidation	Chairman of the Board of Statutory Auditors
	Trustfid S.p.A.	Chairman of the Board of Statutory Auditors

(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 www.itkgroup.it, to which visitors to the website www.kme.com, which now contains only information about the industrial operations of the investee company KME A.G., and the website www.itk.it, which was the iNTEk S.p.A. website until the merger entered into effect, are directed.

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 by the "SDIR/NIS".

From that date, following the implementation of Directive 2004/109/EC (the "Transparency Directive"), CONSOB, with resolution 18159 of 4 April 2012, amended the previous situation, authorizing the system for the disclosure of regulated information named "eMarketSDIR", managed by Spafid Connect 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, half-year and quarterly financial statements, and other statements and documents produced over time) as well as information on corporate events (e.g., annual calendar of corporate events, corporate governance and remuneration reports, terms and conditions for the exercise of rights, details regarding the calling of 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, Articles of Association, characteristics of securities issued, Regulations for bonds, Internal Codes and Procedures, minutes of the Shareholders' Meetings), with specific areas dedicated to any extraordinary transactions under way.

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

During 2016, the website www.itkgroup.it, which is available in Italian as well as in English, had over 37 thousand hits by over 22 thousand visitors with over 127,000 pages viewed. The peak of visits to the website concentrated in the period from 4 September to 1 October 2016.

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 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 2016 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

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

16. Meetings (pursuant to article 123-bis, paragraph 2, letter c), TUF)

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 Articles of Association and internal procedures, and are aimed at confirming and ensuring equality of treatment to all the shareholders in the same position as regards their participation and the exercise of the right to vote at Shareholders' Meetings.

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

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

During 2012, as part of the aforementioned provisions, the provisions of article 125-bis of the 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 the TUF, such as, for example, the form for proxy voting, the documentation for the appointment of the Appointed Representative, and that for voting by correspondence. The procedures to ask questions during a Shareholders’ Meeting and how to ask for additions to be made to the Agenda are shown in the same area.

Regarding the provisions relative to the share deposit for participation in the Shareholders' Meeting, art. 11 (Attendance and representation at Shareholders’ Meeting) of the Articles of Association 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 regarding the Shareholders’ Meetings, the provisions were extended also to the special meetings of holders of other financial instruments issued by the Company which are traded on a regulated market, and therefore to holders of savings shares and bonds.

The new provisions regarding the issue of proxies and their electronic notification which are contained in article 11 of the Articles of Association are also worth noting. The above-mentioned article in the Articles of Association contains the provisions on how to exercise the vote by correspondence.

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

As a departure from the Code, the Company has decided to do without specific “Shareholders’ Meeting Rules” due to the existence of the provisions of Chapter III of the Articles of Association, available on the Company’s website in the Profile – Bylaws 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 Articles of Association expressly requires the Chairman of the Shareholders’ Meeting to ensure the correctness of the proceedings by directing and regulating discussions and limiting the length of individual contributions.

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 2016, the following meetings were held: an extraordinary Meeting of Holders of Savings Shares on 16 February 2016, an ordinary Shareholders’ Meeting on 31 May 2016 and, lastly, an extraordinary Shareholders' Meeting at 8 September 2016.

In 2017, no meeting has been held yet.

Unless otherwise provided by the applicable legislative provisions, the Articles of Association shall not be amended unless approved by the Shareholders’ Meeting in the manner, quorums and with the majority prescribed by law.

The Articles of Association contain provisions for the protection of the non-controlling shareholders in regard to the convening of the Shareholders’ Meeting and additions to its Agenda (article 10), appointment of the Board of Directors (articles 17) and 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 120/2011.

Furthermore, articles 13 and 5 of the Articles of Association which specifically entitle shareholders to submit questions prior to the Shareholders' Meetings (article 125-bis, par. 4. b), no. 1) of the TUF) and the right to request identification for the shareholders (art. 83-duodecies of the 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 website.

Legitimacy of asking questions is the responsibility of the individuals with the voting rights and not the shareholders.

The company has not considered it necessary to compile a specific regulation on conducting Shareholders' Meetings, as the appropriate measures for the orderly and functional unfolding thereof is already provided for in the Articles of Association, under article 12 covering the powers of the Chairman of the Shareholders' Meeting.

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 2016, 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 had been planned, providing the shareholders with any element required for full knowledge of the information required for the decisions to be made by the Shareholders' Meeting.

All the information regarding the disclosures on the operating procedures of the Remuneration Committee was provided within the specific report submitted for examination by the Shareholders' Meeting.

Additions to the Agenda and presentation of new resolution proposals

Article 10 of the Articles of Association highlights, in compliance with article 126-bis of the TUF, that shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the Shareholders' Meeting notice, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed.

Agenda items may not be added with respect to issues on which shareholders resolve as per the law, upon proposal by Directors or based on a project or report put forward by Directors, other than those specified in article 125-ter, paragraph 1 of TUF.

Following the 2012 amendments, this provision was extended in order to allow shareholders with a similar stake, again within 10 days of publication of the notice and according to a procedure similar to that provided for the addition to the agenda items, to put forward resolution proposals on issues already on the Agenda.

In any case, any persons with voting rights can individually put forward resolution proposals to the Shareholders' Meeting.

Pursuant to the law, the requests for additions and/or submission of a new resolution proposal shall be made using that same procedures as provided for the convening of the Shareholders' Meeting at least 15 days prior to the date set for the meeting, making the Report available to the shareholders, accompanied by any assessments by the Board of Directors.

Request to call Shareholders' Meeting

Article 10 of the Articles of Association, in accordance with the provisions of article 2367 of the Italian Civil Code, provides that Shareholders who represent at least a twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request shall be made by registered letter and shall contain the list of the items to be included in the Agenda and the detailed list of those requesting the meeting, together with a copy of the communication issued by the authorised intermediaries who certify ownership of the shares and their number.

17. Other Corporate Governance Issues

Internal Dealing Code

As from 1 April 2006 and following the entry into effect of the provisions regarding internal dealing introduced in Law 62 of 18 April 2005 and the consequent amendments contained in the Issuers' Regulation, over the years and lately on 13 September 2016, the Company's Board of Directors has intervened to make the appropriate amendments in order to maintain the procedure updated ensuring the dissemination of the new provisions and facilitating awareness thereof by the "relevant parties".

It should be noted that, with the entry into effect of European Regulation 596/2014 (the so-called MAR) "relevant parties" can no longer transact using the Company's financial instruments during specific periods of time (the so-called "black out periods").

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 key managers of the Company and the Group, are indicated in the Report on Remuneration to which reference is made.

Personal data protection

Regarding the protection of personal data, it should be noted that article 45, paragraph 1, d) of Legislative Decree no. 5 of 9 February 2012 has eliminated the requirement to prepare a "Security Policy Document." The external entity in charge of processing personal data has been identified by the Company's Chairman.

18. Changes after the year end

There have been no significant changes since the end of the reporting period, other than those referred to in this Report.

TABLE 3

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		REMUNERATION COMMITTEE (***)	
Office	**Members**	**Year of birth**	**Date of first appointment***	**Serving from**	**Serving until**	**List ****	**Executive**	**Non-executive**	**Independent as per Code**	**Independent as per TUF**	**% (*)**	**Number of other positions *****	**(**)**	**% (*)**	**(**)**	**% (*)**
Chairman	**Vincenzo Manes**	**1960**	**14.02.2005**	**19.06.2015**	**31.12.2017**	**M**	**X**				**100**					
Deputy Chairwoman	**Diva Moriani**	**1968**	**27.04.2005**	**19.06.2015**	**31.12.2017**	**M**	**X**				**87.50**					
Director	**Marcello Gallo**	**1958**	**14.02.2005**	**19.06.2015**	**31.12.2017**	**M**		**X**			**100**					
Director	**Giuseppe Lignana**	**1937**	**12.01.2005**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**100**		**C**	**100**		
Director	**James Macdonald**	**1951**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**			**100**					
Director	**Ruggero Magnoni**	**1951**	**31.05.2016**	**31.05.2016**	**31.12.2017**	**M**		**X**			**100**					
Director	**Alessandra Pizzuti**	**1962**	**19.06.2015**	**19.06.2015**	**31.12.2017**	**M**		**X**			**100**					
Director	**Luca Ricciardi**	**1973**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**100**		**M**	**100**		
Director	**Franco Spalla**	**1952**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**100**		**M**	**100**		
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																
Director	**Salvatore Bragantini**	**1943**	**11.06.2014**	**19.06.2015**	**18.04.2016**	**M**		**X**			**33.34**					

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: 8***	***Control and Risk Committee: 5***	***Remuneration Committee: n/a***

<u>Notes</u>

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: "C" if 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

Office	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	01.09.2008	19.06.2015	31.12.2017	M	x	100	
Standing Auditor	Francesca Marchetti	1963	28.06.2012	19.06.2015	31.12.2017	M	x	100	
Standing Auditor	Alberto Villani	1962	30.04.2013	19.06.2015	31.12.2017	M	x	100	
Alternate Auditor	Elena Beretta	1969	19.06.2015	19.06.2015	31.12.2017	M	x	==	
Alternate Auditor	Andrea Zonca	1966	30.04.2013	19.06.2015	31.12.2017	M	x	==	

---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------									
==	==	==	==	==	==	==	==	==	==

Indicate the *quorum* required for the presentation of lists for the most recent appointment: 4.5%
Number of meetings held during the year: 4

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 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.

<u>TABLE 5</u>

Other provisions of the Corporate Governance Code

	YES	NO	Reasons for any non-compliance with the Code's recommendations
Delegation of powers and transactions with related parties			
Has the Board of Directors delegated powers establishing the relevant:			
a) limits?	x		
b) methods of exercise?	x		
c) frequency of reporting?	x		
Has the Board of Directors reserved the power to examine and approve transactions of significant relevance to the company's operating results, cash flows and financial position (including transactions with related parties)?	x		
Has the Board of Directors defined guidelines and criteria for identifying "significant" transactions?	x		
Have the above guidelines and criteria been described in the Report?	x		
Has the Board of Directors established specific procedures for the examination and approval of transactions with related parties?	x		
Have the procedures for the approval of transactions with related parties been described in the Report?	x		
Procedures for the most recent appointments as Directors and Statutory Auditors			
Were nominations for the position of Director submitted at least twenty-five days in advance?	x		
Were nominations for the position of Director accompanied by exhaustive information?	x		
Were nominations for the position of Director accompanied by a statement of the eligibility of the nominee to be qualified as independent?	x		
Were nominations for the position of Statutory Auditor submitted at least twenty-five days in advance?	x		
Were nominations for the position of Statutory Auditor accompanied by exhaustive information?	x		
Shareholders' Meetings			
Has the Company approved a set of Rules of the Shareholders' Meeting?		x	See Title III of the Company Articles of Association, a full copy of which is available on the website
Have the Rules been annexed to the Report (or is there information as to where it is available or can be downloaded)?		x	

Internal Control			
Has the Company appointed internal control officers?	x		
Are the internal control officers independent of the heads of operational department?	x		
Organisational unit in charge of internal control (pursuant to article 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 contacts and 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
YEAR 2016

Prepared pursuant to article 123-ter and article 84-quater of Consob Resolution 11971 of 14 May 1999

Board of Directors
of 26 April 2017

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital EUR 314,225,009.80 fully paid-up
Tax Code and Business Register
of Milan 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 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 18049 of 23 December 2011, which had added article 84-quater to the Consob Resolution 11971 of 14 May 1999 (hereinafter the "Issuers' Regulation") and followed the format required therein for the preparation of this document.

According to this layout, the "Report on Remuneration" shall be divided into two sections:

- **Section 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.

Reiterating that the company adheres to the Corporate Governance Code (hereinafter the "Corporate Governance Code" 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 past practice and the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (VI edition, January 2017) concerning the "Report on corporate governance and ownership structure"("Report on Governance"), disclosure required by the Corporate Governance Code was included in this Report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report, as well.

Again, in accordance with the aforementioned indications, the "Report on Governance" and the Report 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 26 April 2017.

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 Group is a holding company with diversified equity investments which pursues a medium-term investment strategy in diversified sectors, with a major focus on their capacity to generate cash flows and/or increase value over time.

The Company makes and manages investments with a medium to long-term time horizon, in order to create and maintain a flexible portfolio of assets. Shorter investment cycles are preferred compared to the past, which results in faster cash generation.

In line with this strategic definition, the management believes that, in evaluating the Company's overall performance, it is necessary to consider not only the results for the period, but also and above all the appreciation of the individual assets over time and their potential for creating shareholder value.

To reach these objectives, constant monitoring of its portfolio and assets as well as the activities ensuing from them must be monitored constantly and reviewed periodically. The relation between the return on investments and the resources employed for the latter is reviewed periodically, and solutions are sought for investments that do not reach acceptable performance levels and are therefore not in line with the management policies.

Maximisation of the the value of the assets managed is therefore pursued through business strategies, including agreements and/or partnership opportunities, which aim to enhance the individual assets and the performance of extraordinary transactions involving the equity investments held in the portfolio

1.2 Intek Group Governance

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**		
Marcello Gallo	**Director**		
Giuseppe Lignana	**Independent Director**		**√ (Chairman)**
James Macdonald	**Director**		
Ruggero Magnoni (1)	**Director**		
Alessandra Pizzuti	**Director**		
Luca Ricciardi	**Independent Director**		√
Franco Spalla	**Independent Director**		√

(1) The Shareholders' Meeting as at 19 June 2015 had appointed Salvatore Bragantini as a Non-Executive Director. He resigned on 18 April 2016 and on 31 May 2016 the Shareholders' Meeting appointed Ruggero Magnoni to replace him.

(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 management personnel

For 2016, in line with 2015, the Intek Group Key management personnel 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 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 Corporate Governance Code, which considered that specifically for Intek Group, the duties incumbent upon the Remuneration Committee as required by the Code (see Criterion 6.C.5) could be satisfactorily carried out directly by the Board of Directors.

In 2016 as well, it was 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 Key management personnel can be calculated, and it is also the appropriate entity for ensuring achievement of the pre-set objectives.

The Board believes that the current definition of its strategic mission, its approach to the market and the new governance structure following the implementation of the Merger, have rendered the remuneration policy simpler than in past as it refers solely to the Executive Directors of the Company and any Key management personnel.

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 article 6.C.5

The Board of Directors is responsible for overseeing the implementation of the remuneration policy adopted.

As regards the Directors and the Managers of the subsidiaries/investee companies, which are considered as investments – as defined since 2014, with the application of the accounting standards IFRS, that investment entities (IFRS 10 and 12 in IAS 27), in the separate and consolidated financial statements –, remunerations are handled exclusively by the administrative bodies of the individual subsidiaries/investee companies.

The Board of Directors prepares the Report on Remuneration based on the remuneration policy, as it has been examined and approved, and Section I of this Report is submitted to the Shareholders' Meeting for a consultative vote.

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 Corporate Governance Code for the Remuneration Committee 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 management personnel.

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 was applied for 2016 as well.

On 26 April 2017, with the opinion in favour of the Board of Statutory Auditors and the Control and Risks Committee, the Board of Directors approved the remuneration policy for 2017. This policy is essentially the continuation of the previous policies and it provides for introduction of incentive mechanisms in order to support the value of the Company's shares over the medium-long term, as further described below.

The remuneration policy is an important tool to create sustainable corporate value.

It contributes to attracting and maintaining high-level professional skills and to 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 component 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 Principle 6.P.2 of the Code, it is hereby specified that, due to the Company's changed operating (business) and organisational strategies, the incentive schemes for Executive Directors and Key management personnel are linked exclusively to the achievement of 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.

It is hereby noted that only the assets that constitute an investment are measured and therefore equity investments, whether controlling or otherwise, in companies that are instrumental to Intek Group operations, are not included.

To this end, it is hereby noted that the equity investment in KME AG, the holding company of the group of the same name, which is active in the "copper" sector, is the main investment of the Company and defined as "held for investment".

The Board of Directors will specifically implement the principles included in this document in regard to the calculation of the remuneration of Executive Directors and Directors with strategic responsibilities.

1.3.2 The remuneration policies for Directors and Key management personnel

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 both the fixed and variable remuneration of the Board members, specifically Directors with specific mandates and Key management personnel.

Based on article 8 of the Company's Articles of Association, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company's Articles of Association, on 19 June 2015 the Shareholders' Meeting has granted an annual fixed compensation of 15,000 to each Board member 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 Articles of Association is granted, the amounts received as fixed fees are considered as an advance of the aforementioned payment.

The Company also signed a "Directors & Officers' Liability" insurance policy (hereinafter the "D&O") which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy also covers legal expenses in case of preventive and urgent orders.

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 for the period ended 31 December 2017.

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 assigned to the Executive Directors is due from the Company only if capital gains are secured from the sale of equity investment and/or portfolio assets.

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 be set between a comprehensive range from 0.50% to 2% of the capital gains realised, 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 capital gains for the Company.

The Board 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.

The remuneration policy for 2017 provides that the Company will begin to study a stock option plan or another form of incentive compensation, which is complementary to the variable remuneration, payable to the Directors and to certain employees or associates of the Company, with the purpose of providing an incentive to management actions in support of the value of the listed Intek shares.

This instruments, to be coordinated with the variable component already provided and which will be resized to this end, could make it possible to align the interests of the management with those of the medium to long-term shareholders and balance the objectives achieved with the variable remuneration, which aim to increase the creation of value for shareholders connected to the achievement of capital gains from the sale of portfolio assets and therefore over a shorter time horizon.

Non-monetary benefits

The Chairman was provided, as a benefit, with a residence for an amount of up to Euro 100,000 per annum, as well as an accident policy with maximum coverage of Euro 5,000,000.

Directors' Termination benefits in case of resignation, dismissal or termination of employment after a takeover bid

There are no Directors' Termination benefits. No benefit is provided for "non-competition commitments" or for granting or maintaining non-monetary benefits or entering into consulting agreements subsequently to the termination of the employment relationship; any payment of such indemnities or the execution of such agreements could be decided from time to time upon termination of the Executive Director's office as part of the termination benefits.

1.4 The components of Top management's remuneration

As already indicated, managers with strategic responsibilities other than the Executive Directors have not been identified.

Other information

In the preparation of this remuneration policy, the Company:

i. was not assisted by any consulting company or sector specialist;

ii. did not use as a reference the remuneration policies of other companies, whether Italian or foreign;

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 [●] 2017 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, 26 April 2017

The Board of Directors

2 Section II

2.1 <u>Part one</u>: Information on the remuneration items

2.1.1 <u>The Board of Directors</u>

2.1.1.1 Remuneration as per the Company's Articles of Association and following decision by the Shareholders' Meeting

Based on article 8 of the Company's Articles of Association, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company's Articles of Association, on 19 June 2015 the Shareholders' Meeting has granted an annual fixed compensation of 15,000 to each Board member 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 Articles of Association is granted, the amounts received as fixed fees 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, 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 for the period ended 31 December 2017. The Deputy Chairwoman Diva Moriani was attributed fixed remuneration of Euro100,000 per annum for the same period.

The Executive Directors did not receive any variable remuneration in 2016 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 (increased by 50%).

The compensation attributed to them and other Directors pursuant to the Articles of Association, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company's profits.

No Non-Executive Director participated in the stock option plan which expired on 31 December 2015.

2.1.2 <u>Remuneration of Key management personnel and other Managers</u>

Currently, the Company has not identified other Key management personnel.

Pursuant to article 7 of the Code, we hereby specify that:

- the Managers in charge 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 <u>Stock option plan</u>

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 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 2016, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Fees paid to the members of the Boards and the Key management personnel

(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					
Vincenzo Manes (1)	*Chairman*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				715.000	-	-	-	20.399	-	735.399	-	-
(II) Remuneration from subsidiaries and affiliates				412.191	-	-	-	-	-	412.191	-	-
(III) Total				1.127.191	-	-	-	20.399	-	1.147.590	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				115.000	-	-	-	-	-	115.000	-	-
(II) Remuneration from subsidiaries and affiliates				532.766	-	-	-	5.895	-	538.661	-	-
(III) Total				647.766	-	-	-	5.895	-	653.661	-	-
Salvatore Bragantini	*Director*	*01/01/2016 - 18/04/2016*										
(I) Remuneration from the company preparing the fin. statements				4.479	-	-	-	-	-	4.479	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				4.479	-	-	-	-	-	4.479	-	-
Marcello Gallo (3)	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				15.000	-	-	-	-	-	15.000	-	-
(II) Remuneration from subsidiaries and affiliates				375.240	-	-	-	5.680	-	380.920	-	-
(III) Total				390.240	-	-	-	5.680	-	395.920	-	-
Giuseppe Lignana (*)	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				17.400	7.500	-	-	-	-	24.900	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				17.400	7.500	-	-	-	-	24.900	-	-
James McDonald	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				18.000	-	-	-	-	-	18.000	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18.000	-	-	-	-	-	18.000	-	-
Ruggero Magnoni	*Director*	*31/05/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				8.836	-	-	-	-	-	8.836	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				8.836	-	-	-	-	-	8.836	-	-
Alessandra Pizzuti (4)	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				18.600	-	-	-	-	-	18.600	-	-
(II) Remuneration from subsidiaries and affiliates				149.430	-	-	-	4.554	-	153.984	-	-
(III) Total				168.030	-	-	-	4.554	-	172.584	-	-
Luca Ricciardi	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				15.000	-	-	-	-	-	15.000	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Totale				15.000	-	-	-	-	-	15.000	-	-
Franco Spalla (*)	*Director*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				18.000	7.500	-	-	-	-	25.500	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18.000	7.500	-	-	-	-	25.500	-	-
Altri dirigenti con responsabilità strategica (4)												
(I) Remuneration from the company preparing the fin. statements				-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-
		Totale Intek Group		945.315	15.000	-	-	20.399	-	980.714		-

Notes

(1) Euro 15,000 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 700,000 for the office of Chairman of Intek Group S.p.A.
Euro 150,000 for the office of Chairman of I2 Capital Partners SGR S.p.A., Euro 5,000 for the office of Director of I2 Capital Partners SGR S.p.A. and Euro 257,191 as member of the Vorstand of KME A.G.
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 S.p.A.
Euro 249,996 as member of the Vorstand of KME A.G., Euro 25,000 as member of the Vorstand of KME Germany Bet Gmbh, Euro 252,770 as executive of KME S.r.l. (including Euro 2,770 for lump-sum reimbursements) and Euro 5,000 for reimbursements for the position of Director of ErgyCapital S.p.A.
The non-monetary benefits (Euro 5,895) are paid for the function of KME Srl Manager.

(3) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting.
In I2 Capital Partners SGR: Euro 241,678 as Manager, Euro 50,000 as Managing Director and Euro 5,000 as Director, Euro 14,367 for the office of chairman and director in FEB- Ernesto Breda S.p.A., Euro 9,425 for the position as liquidator of Bredafin Innovazione S.p.A. under liquidation, Euro 30,000 for membership on the Supervisory Board of KME A.G. and Euro 25,000 for membership on the Supervisory Board of KME Germany Bet GmbH.
The non-monetary benefits (Euro 5,680) are paid for the function as I2 Capital Partners SGR S.p.A. Manager.

(4) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting, in addition to attendance fees of Euro 3,600.
Euro 94,730 as Manager in KME Srl (including Euro 1,055 for lump-sum reimbursements). Euro 25,000 for the membership on the KME A.G. Supervisory Board, Euro 25,000 for the membership on the KME Germany Bet Gmbh Supervisory Board. Euro 5,000 as ErgyCapital Director.
The non-monetary benefits (Euro 4,554) are paid for the function of KME Srl Manager.

(*) Euro 7,500 for the Control and Risk Committee.

(**) Fixed remuneration of Directors includes attendance fees as detailed below: Euro 2,400 to Giuseppe Lignana, Euro 3,000 to James Macdonald, Euro 3,600 to Alessandra Pizzuti and Euro 3,000 to Franco Spalla.

2.2.2 Stock Options

As already indicated above, after completion of the 2010-2015 plan, there are no longer any instruments of this type.

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

2.2.3 Monetary incentives plan

The table below contains the monetary incentive plan in the form required by Table 3B in scheme 7-bis in Annex 3A of the Issuers' Regulation.

In 2016, no bonuses accrued to the directors with strategic responsibilities, nor were bonuses paid of previous years.

Monetary incentive plans in favour of members of the administrative body, general managers and other key managers

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	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 management personnel

The investments held by members of the administrative and control bodies and Key management personnel are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter - Table 1 - Annex 3A of the Issuers' Regulation).

Investments held by Directors and Key management personnel

Name and surname	Office	Investee	Number of shares held at the end of 2015	Number of shares purchased during 2016	Number of shares sold during 2016	Number of shares held at the end of 2016
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	121.081	-	-	121.081

2.2.5 Remuneration of the Board of Statutory Auditors

The breakdown of the Board of Statutory Auditors' remuneration in 2016, including in subsidiaries, is shown in the table below which has been prepared in accordance with CONSOB provisions ("Scheme 7-bis" – Table 1 – as set out in Annex 3 A of the Issuers' Regulation).

Remuneration paid to the members of the control body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period 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*	*01/01/2016 - 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				49.000	-	-	-	-	-	49.000	-	-
(II) Remuneration from subsidiaries and affiliates				23.000	-	-	-	-	-	23.000	-	-
(III) Total				72.000	-	-	-	-	-	72.000	-	-
Francesca Marchetti	*Standing Auditor*	*01/01/2016 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				31.000	-	-	-	-	-	31.000	-	-
(II) Remuneration from subsidiaries and affiliates				12.500	-	-	-	-	-	15.000	-	-
(III) Total				43.500	-	-	-	-	-	46.000	-	-
Alberto Villani	*Standing Auditor*	*01/01/2016 31/12/2016*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. Statements				31.000	-	-	-	-	-	31.000	-	-
(II) Remuneration from subsidiaries and affiliates				16.126	-	-	-	-	-	16.126	-	
(III) Total				47.126	-	-	-	-	-	47.126	-	-

Marco Lombardi: (I) Fixed annual remuneration of Euro 46,000; attendance fee of Euro 3,000
(II) Remnueration as the Chairman of the Board of Statutory Auditors of KME Italy SpA
Francesa Marchetti (I) Fixed annual remuneration of Euro 31,000
(II) Remuneration as Standing Auditor of ErgyCapital SpA
Alberto Villani: (I) Fixed annual remuneration of Euro 31,000
(II) Remuneration of Euro 6,126 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 as at 31 December 2016

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 Business Register
of Milan no. 00931330583
www.itkgroup.it

Intek Group – Separate financial statements at 31 December 2016

Statement of Financial Position – Assets

(in Euro)	*Ref. Note*	31/12/2016	*of which related parties*	31/12/2015	*of which related parties*
Investments in equity interests and fund units	*4.1*	442,922,968	*437,902,557*	439,672,240	*432,270,512*
Instrumental equity investments	*4.2*	24,272,033	*24,272,033*	89,922,033	*89,922,033*
Non-current financial assets	*4.3*	37,722,992	*37,722,992*	710,733	*710,733*
Property, plant and equipment	*4.4*	370,660	-	468,031	-
Investment property	*4.5*	32,289	-	32,289	-
Goodwill	*4.6*	-	-	798,453	-
Intangible assets	*4.7*	6,460	-	3,329	-
Other non-current assets	*4.8*	2,961	-	17,924	-
Deferred tax assets	*4.23*	4,947,983	-	6,211,419	-
Total non-current assets		**510,278,346**		**537,836,451**	
Current financial assets	*4.9*	34,955,813	*27,856,974*	44,098,602	*40,408,403*
Trade receivables	*4.10*	13,767,163	*7,020,438*	10,008,592	*2,582,045*
Other current receivables and assets	*4.11*	8,802,788	*1,716,433*	9,576,888	*1,562,331*
Cash and cash equivalents	*4.12*	9,215,712	-	7,784,944	-
Total current assets		**66,741,476**		**71,469,026**	
Non-current assets held for sale	*4.13*	**941,250**		**941,250**	
Total assets		**577,961,072**		**610,246,727**	

The notes are an integral part of these financial statements.

Disclosure on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2016

Statement of Financial Position – Liabilities

(in Euro)	*Ref. Note*	*31/12/2016*	*of which related parties*	*31/12/2015*	*of which related parties*
Share capital		314,225,010	-	314,225,010	-
Other reserves		39,142,931	-	35,135,075	-
Treasury shares		(1,819,672)	-	(2,456,254)	-
Retained earnings/(accumulated losses)		72,187,807	-	72,187,807	-
Stock option reserve		2,051,902	-	2,051,902	-
Convertible loan		20,844,000	-	24,000,000	-
Profit (loss) for the year		(4,440,689)	-	4,040,633	-
Total equity	*4.14*	**442,191,289**		**449,184,173**	
Employee benefits	*4.15*	324,912	-	317,961	-
Deferred tax liabilities	*4.23*	1,523,064	-	1,959,395	-
Non-current payables and liabilities	*4.16*	2,003,948	-	8,948	-
Bonds and SFP (equity financial instruments)	*4.17*	100,990,199	-	100,789,449	-
Other non-current liabilities	*4.18*	1,471,332	-	937,700	-
Provisions for risks and charges	*4.19*	4,532,088	-	4,964,009	-
Total non-current liabilities		**110,845,543**		**108,977,462**	
Current financial payables and liabilities	*4.20*	20,098,020	*11,811,652*	47,580,468	*40,939,093*
Trade payables	*4.21*	797,019	*122,871*	1,345,259	*373,929*
Other current liabilities	*4.22*	4,029,201	*2,004,339*	3,159,365	*1,086,426*
Total current liabilities		**24,924,240**		**52,085,092**	
Total liabilities and equity		**577,961,072**		**610,246,727**	

The notes are an integral part of these financial statements.

Disclosure on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2016

Statement of Profit or Loss for the period and Other Comprehensive Income

(in Euro)	*Ref. Note*	*2016*		*2015*	
			of which related parties		*of which related parties*
Net income from investing activities	*6.1*	(228,730)	*(185,181)*	13,486,798	*13,419,444*
Commissions on guarantees given	*6.2*	4,004,769	*4,004,769*	3,254,220	*3,254,220*
Other income	*6.3*	1,601,991	*172,526*	691,327	*141,741*
Personnel costs	*6.4*	(1,471,174)	*(16,068)*	(1,844,061)	*(300,456)*
Amortisation, depreciation and impairment	*6.5*	(861,154)	-	(269,291)	-
Other operating costs	*6.6*	(4,650,976)	*(1,850,773)*	(4,936,759)	*(1,712,028)*
Operating profit/(loss)		**(1,605,274)**		**10,382,234**	
Financial income	*6.7*	2,243,938	*2,210,951*	795,497	*760,050*
Financial expense	*6.7*	(5,856,500)	*(420,827)*	(6,355,550)	*(903,597)*
Net financial expense		*(3,612,562)*		*(5,560,053)*	
Profit/(Loss) before taxes		**(5,217,836)**		**4,822,181**	
Current taxes	*6.8*	1,771,301	-	1,042,289	-
Deferred taxes	*6.8*	(994,154)	-	(1,823,837)	-
Total income taxes		**777,147**		**(781,548)**	
Profit/(Loss) from continuing operations		**(4,440,689)**		**4,040,633**	
Profit /(loss) from discontinued operations		-		-	
Net profit/(loss) for the year		**(4,440,689)**		**4,040,633**	
Other comprehensive income:					
Employee defined benefit plans		(6,323)		*19,233*	
Components that will not be reclassified to profit or loss		(6,323)		19,233	
Other comprehensive income:		(6,323)		19,233	
Total comprehensive income for the year		**(4,447,012)**		**4,059,866**	

The notes are an integral part of these financial statements.

Disclosure on transactions with related parties is provided in note 7.12.

Intek Group – Separate financial statements at 31 December 2016

Statement of changes in equity at 31 December 2015

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Stock option reserve*	*Convertible loan*	*Profit/(Loss) for the period*	*Total equity*
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)
Assignment of savings shares		(1,987)	1,987					
Expiry of stock options	-	-	-	-	19	-	-	19
Deferred tax assets recognised in equity	-	(45)	-	-	-	-	-	(45)
Actuarial 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
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	-	-	-	-	-
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 7,719,940 ordinary shares and 11,801 savings shares, all without par value. 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 2016

Statement of changes in equity at 31 December 2016

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Stock option reserve*	*Convertible loan*	*Profit/(Loss) for the period*	*Total equity*
Equity at 31 December 2015	**314,225**	**35,134**	**(2,456)**	**72,188**	**2,052**	**24,000**	**4,041**	**449,184**
Allocation of profit for the year	-	4,041	-	-	-	-	(4,041)	-
KME Partecipazioni merger		(1,469)	-	-	-	-	-	(1,469)
FEB - Ernesto Breda S.p.A. merger	-	1,487	636	-	-	(3,156)	-	(1,033)
Deferred tax assets recognised in equity	-	(44)	-	-	-	-	-	(44)
Actuarial losses on pension funds	-	(6)	-	-	-	-	-	(6)
Total comprehensive income items	-	(6)	-	-	-	-	-	(6)
Profit/(Loss) for the period	-	-	-	-	-	-	(4,441)	(4,441)
Total comprehensive income	-	(6)	-	-	-	-	(4,441)	(4,447)
Equity at 31 December 2016	**314,225**	**39,143**	**(1,820)**	**72,188**	**2,052**	**20,844**	**(4,441)**	**442,191**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-
Equity at 31 December 2016	**312,405**	**39,143**	**-**	**72,188**	**2,052**	**20,844**	**(4,441)**	**442,191**

At 31 December 2016, Intek Group directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. 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 2016

Statement of Cash Flows - indirect method

(in thousands of Euro)		*2016*	*2015*
(A) Cash and cash equivalents at the beginning of the period		**7,785**	**736**
Profit/(Loss) before taxes		(5,218)	4,822
Amortisation and depreciation of intangible assets and property, plant and equipment		63	67
Impairment of non-current, non-financial assets		798	202
Impairment / (Reversal of impairment) of current and non-current financial assets		(388)	2,950
Changes in pension provisions, post-employment benefits and stock options		(1)	(13)
Changes in provisions for risks and charges		(460)	(245)
(Increase)/Decrease in equity investments		(1,354)	(100)
(Increase)/Decrease in other financial investments		22,245	(2,602)
Increase/(Decrease) in financial payables to related parties		(387)	19,802
(Increase)/Decrease in financial receivables from related parties		(15,227)	(32,652)
Dividends received		-	(16,425)
(Increase)/Decrease in current receivables		(1,749)	133
Increase/(Decrease) in current payables		(27)	(1,146)
Taxes paid during the year		-	962
(B) Total Cash flows from/(used in) operating activities		**(1,705)**	**(24,245)**
(Increase) in non-current intangible assets and property, plant and equipment		(44)	(154)
Decrease in non-current intangible assets and property, plant and equipment		75	-
(Increase)/decrease in instrumental equity investments		-	(10,022)
Increase/Decrease in other non-current assets/liabilities		(93)	-
(C) Cash flows from/(used in) investing activities		**(62)**	**(10,176)**
(Purchase)/Sale of treasury shares		-	(835)
Bond issue and early redemption		-	39,796
Increase/(Decrease) in current and non-current financial payables		209	2,509
(Increase)/Decrease in current and non-current financial receivables		671	-
(D) Cash flows from/(used in) financing activities		**880**	**41,470**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(887)**	**7,049**
(F) Cash contributed by merged companies		**2,318**	**-**
(G) Cash and cash equivalents at the end of the period	**(E) + (F)**	**9,216**	**7,785**

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements at 31 December 2016

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 2016 (the "Financial Statements") were approved by the Board of Directors on 26 April 2017 and will be published in accordance with legal requirements.

The mergers by incorporation into Intek Group of the subsidiaries KME Partecipazioni S.p.A. and FEB – Ernesto Breda S.p.A. (hereinafter "FEB"), the latter subsequently to the merger by incorporation of Bredafin Innovazione S.p.A. in FEB – Ernesto Breda S.p.A., entered into effect in 2016. All the mergers became effective in terms of the accounting records from 1 January 2016. Any economic relations between the companies that took place during the year prior to the effective date of the mergers were cancelled. Annex 1 contains the effects of the mergers which are then analysed per individual asset and liability item.

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

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- the Company does not participate in any centralised treasury arrangements operated by the Parent or 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 them 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 as at 31 December 2016 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.

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 accounting

The separate financial statements as at and for the year ended 31 December 2016 conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted 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 separated 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 as at 31 December 2015. 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 recognised during the reporting period are presented, including the financial expense and the tax charges. The elements which, upon the specific indication of the individual IFRS, are recognised 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 consolidated financial statements as at 31 December 2015, except for the standards effective as from 1 January 2016.

The accounting standards, amendments and interpretations applied for the first time by the company, which nevertheless had no significant effect on shareholders' equity or the profit/loss for the reporting period, are the following:

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" (published on 21 November 2013): regarding recognition of contributions made to defined benefit plans by employees or third parties.
- Amendments to IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations" (published on 6 May 2014): regarding recognition of interests in a joint operation the activity of which constitutes a business.

- Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture – “Bearer Plants” (published on 30 June 2014): bearer plants, that is fruit bearing plants that will require annual harvesting (for example grapevines, hazels), must be recognised pursuant to the requirements of IAS 16 (rather than IAS 41).
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets – “Clarification of acceptable methods of depreciation and amortisation” (published on 12 May 2014): according to this standard, a revenue-based depreciation/amortisation method is considered to be inappropriate, since revenues generated from an activity that includes the use of the amortised asset generally reflect factors other than just the consumption of economic benefits of the asset itself, a requirement that is necessary for amortisation.
- Amendments to IAS 1 – “Disclosure Initiative” (published on 18 December 2014): the objective of the amendments is to provide clarifications regarding the disclosure elements that can be considered as impediments to clear and comprehensible preparation of the financial statements.
- Amendment to IAS 27 - Equity Method in Separate Financial Statements (published on 12 August 2014): introduces the option of using, in the separate balance sheet of an entity, the shareholders’ equity method to evaluate equity investments in subsidiaries, jointly controlled companies and associated companies.
- Amendments to IFRS 10, IFRS 12 and IAS 28 (published on 18 December 2014), regarding issues that emerged following the application of the consolidation exception granted to the investment entities.
- Finally, as part of the annual improvement process for the standards, on 12 December 2013 the IASB published the document “Annual Improvements to IFRSs: 2010-2012 Cycle” (including IFRS 2 Share Based Payments – Definition of vesting conditions, IFRS 3 Business Combinations – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments’ assets to the entity’s assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on 25 September 2014 the document “Annual Improvements to IFRSs: 2012-2014 Cycle” (including: *IFRS 5* – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits*)* which partially integrate the pre-existing standards.

The Company has not yet applied the accounting standards which are listed below in paragraph 2.21 and which, although already issued by the IASB, become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognised and presented with respect to their economic substance and not only their legal form.

Specific notes contained in the Directors’ Report disclose the content and meaning of the alternative performance indicators, where applicable, which, although not required by IFRS, 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 units of Euro, while the data in the notes, unless otherwise indicated, are in thousands of Euro.

2.3. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities made in order to obtain a yield from the capital appreciation, the income from the investment or both. Units in investment funds are also included in this item.

These assets are measured at fair value through profit or loss.

Fair value measurement

The initial fair value is determined by means of a transaction price, and therefore it is equal to the consideration paid.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities.

The fair value of instruments that are not listed on an active market is determined 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 market or transaction multiples 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 market multiples method requires the estimation of the current theoretical value considering the indications expressed by the market with regard to a sample of listed companies with a business profile that is similar to the company to be evaluated. The comparable transaction multiples method requires the recognition of a company at a value equal to the prices of recent transactions involving companies which are similar and operate in the same sector as the one to be evaluated.

The equity method is based on balance sheets, adjusting the assets and liabilities based on their fair value.

2.4. Instrumental equity investments

All investments in subsidiaries, associates and joint ventures are measured at cost less any impairment losses.

Determination of impairment losses

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

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

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's 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 recognised in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognised through equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

Impairment losses are reversed if the subsequent increase in the 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.

Depreciation is accounted for starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised 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 calculated 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 recognised as required by IAS 17, paragraphs 20-32.

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

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

Impairment losses

Property, plant and equipment are tested for impairment ("impairment test") 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 recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way. 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 recognised are not subsequently reversed.

(b) Other intangible assets with finite useful lives

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

Intangible assets are 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 to a known amount of cash and are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.10. Equity

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

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

2.11. Receivables and payables

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

2.12. Current and deferred taxes

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

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

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

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 Company's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the end of the reporting period. Liabilities under defined benefit plans, such as post-employment benefits, pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and accrued with reference to the length of service required for the vesting of benefits. 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 recognised to the extent that:

- the Company has a present (legal or implicit) 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. If the present value of money is significant, the provision is equal to the present value of expenses deemed to be necessary 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, decreases in the fair value of assets held for trading and derivatives.

2.17. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders' Meeting. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.18. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realization expected within the next twelve months. The losses due to impairment from the initial classification or subsequent measurements are recognised in the income statement of the year in which they occur.

2.19. Earnings/(losses) per share

Pursuant to IAS 33 paragraph 4, this kind of information is presented only for consolidated figures.

2.20. 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 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 recognised in profit or loss. At the end of the reporting period, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.21. Accounting standards not yet applied

As at 31 December 2016, some new standards and interpretations, which have already been endorsed by the European Union, are not yet mandatory to apply and had not been adopted early by Intek Group as at 31 December 2016:

Some of the most important standards are detailed below:

- IFRS 15 –Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications which were published on 12 April 2016) which is set to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. This standard establishes a new model for the recognition of revenues, which will be applied to all the contracts stipulated with customers except for those that fall under the scope of application of other IAS/IFRS such as leases, insurance contracts and financial instruments. The standard will be applicable from 1 January 2018. Early application is allowed.
- The final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document contains the results of the IASB project which aims to replace IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. As for the impairment method, the new standard requires that estimates of losses on receivables take place based on the expected losses model (rather than the incurred losses model used by IAS 39), using information that can be documented and is available without unreasonable expense or effort and which includes historical, current and perspective data; it introduces a new hedge accounting model (an increase in the types of transactions that can be eligible for hedge accounting, changing the procedure for recognition of forward contracts and options when included in a hedge accounting relation, amendments to the efficacy test). The new standard must be applied to financial statements beginning from 1 January 2018 or later.

As at 31 December 2016, the competent bodies of the European Union had not yet concluded the approval process required for adoption of the amendments and the standards described below:

- IFRS 16 – Leases (published on 13 January 2016), which is intended to replace IAS 17 – Leases, and IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15

Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition for leases and introduces a criterion based on control (right of use) of an asset to distinguish leases from service contracts, identifying as discriminating factors: the identification of the asset, the right to replace the asset, the right to obtain essentially all the economic benefits from the use of the asset and the right to manage the use of the asset underlying the contract.

This standard establishes a single model for recognition and measurement of leases for the lessee which provides for recognition of the asset constituting the object of the lease, including operating leases, under assets with a financial payable as a contra-entry, providing furthermore the possibility of not recognising as leases contracts involving "low-value assets" and leases with a duration equal to or less than 12 months. Conversely, the standard does not include any significant amendments for lessors.

The standard is applied from 1 January 2019 but early application is allowed only for Companies that opt for early application of IFRS 15 - Revenue from Contracts with Customers.

- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document aims to provide some clarifications on the recognition of deferred tax assets on losses which have not yet taken place under specific circumstances and on the estimate of taxable income for future years. The amendments are applicable from 1 January 2017, but early adoption is allowed.
- Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). The document aims to provide some clarifications to improve the disclosures on financial liabilities. In particular, the amendments require the provision of information that allows users of financial statements to understand the changes and the liabilities arising from loan transactions. The amendments will be applicable from 1 January 2017. Early application is allowed. Comparative information for previous years is not required.
- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which contains some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition of amendments to the terms and conditions of a share based payment that amend the classification from cash-settled to equity-settled. The amendments will be applicable from 1 January 2018. Early application is allowed.
- The document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on 12 September 2016). For entities which are mainly active in the insurance area, the amendments aim to clarify concerns arising from application of the new standard IFRS 9 to the financial assets, before the IASB replaces the current standard IFRS 4 with the new standard currently being drafted, based on which financial liabilities are measured.
- The "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially integrate pre-existing standards.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The interpretation aims to provide guidelines for transactions carried out in a foreign currency when non-monetary advances or deposits are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document provides instructions on how an entity can determine the date of a transaction and consequently, the spot exchange rate to use when transactions in a foreign currency are carried out in which the

payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, but early application is allowed.

- Amendment to IAS 40 “Transfers of Investment Property” (published on 8 December 2016). These amendments clarify the transfers of a property to or from investment property status. In particular, an entity must reclassify a property from or to investment properties only if there is evidence that a change in use of the property has taken place. This change must be due to a specific event that took place and should not be limited to a change in the intentions of an entity’s management. These amendments will be applicable from 1 January 2018. Early application is allowed.
- Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture” (published on 11 September 2014). The document was published to resolve the current conflict between IAS 28 and IFRS 10 regarding the measurement of the profit or the loss arising from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for an interest in the latter’s share capital. Currently, the IASB has suspended application of this amendment.

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

3. Financial risk management

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected to investments and disinvestments. The company's financial results depend mainly on these transactions and the dividends distributed by subsidiaries and, therefore, in the final analysis, 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 could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

Furthermore, the disinvestment process could require more time than was expected and/or be carried out on the basis of terms and conditions that are not fully satisfactory or at non-remunerative terms and conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidity of these equity investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, the possible consequent unavailability of an information flow that is at least equal, insofar as its quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the company and therefore assessing the completeness and accuracy of the information it provides. For equity investments that are non-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 difficulties in raising finance 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 short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit.

c) exchange 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 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 financial liabilities. Variable 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 the equity investments, through valuation techniques. The risk of fluctuations in the values of these equity interests, recognised under "investments in equity interests and fund units" is not actively managed using financial hedging instruments.

4. *Notes to the separate financial statements*

With reference to changes in balance sheet items that took place in 2016, the tables below show these changes, including with a separate indication of the increases/decreases arising from the mergers involving KME Partecipazioni and FEB – Ernesto Breda S.p.A. mentioned above.

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Investments in subsidiaries	437,903	432,271	13,197	(12,338)	4,773
Other investments	12	12	-	-	-
Mutual investment funds	5,008	7,389	-	-	(2,381)
Other investments	-	-	-	-	-
Investments in equity interests and fund units	**442,923**	**439,672**	**13,197**	**(12,338)**	**2,392**

The breakdown of the item was as follows:

Name	*Registered office*	*Percentage of interest*	*31 Dec. 2016*	*31 Dec. 2015*	*Difference*
Subsidiaries					
KME AG	Osnabruck (D)	100.00%	411,546	409,989	1,557
KME Beteiligungsgesellsch.mbH	Osnabruck (D)	100.00%	1,300	1,000	300
ErgyCapital S.p.A.	Florence	49.04%	4,461	-	4,461
Culti Milano S.p.A.	Milan	90.00%	9,227	-	9,227
Progetto Ryan 3 Srl in liquidazione.	Milan	100.00%	1,103	-	1,103
FEB - Ernesto Breda S.p.A.	Milan	86.55%	-	18,500	(18,500)
Breda Energia S.p.A. in liquidazione	Milan	100.00%	6,162	-	6,162
Il Post Srl	Milan	19.90%	545	-	545
Intek Investimenti Srl	Milan	100.00%	680	20	660
Mecchld Srl	Milan	10.00%	217	-	217
Progetto Ryan 2 Srl in liquidazione	Milan	100.00%	300	400	(100)
Rede Immobiliare Srl	Milan	100.00%	2,362	5,510	(3,148)
Malpaso Srl	Milan	100.00%	-	(3,148)	3,148
Total Subsidiaries and Associates			**437,903**	**432,271**	**5,632**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**437,915**	**432,283**	**5,632**
I2 Capital Partners Fund			4,992	7,344	(2,352)
Value Secondary Investment SICAR			16	45	(29)
Total Fund Units			**5,008**	**7,389**	**(2,381)**
ErgyCapital S.p.A. - Warrant	Florence		-	-	-
Total other investments			**-**	**-**	**-**
Investments in equity interests and fund units			**442,923**	**439,672**	**3,251**

The breakdown of changes in the year is as follows:

Name	*31/12/2015*	*KME Partecipazioni merger*	*FEB merger*	*Increases*	*Decreases*	*Measurement of assets*	*Measurement of liabilities*	*31/12/2016*
Subsidiaries								
KME AG	409,989	-	-	-	-	1,557	-	411,546
KME Beteiligungsgesellsch.mbH	1,000	-	-	-	-	300	-	1,300
ErgyCapital S.p.A.	-	6,041	-	-	-	-	(1,580)	4,461
Culti Milano Srl	-	2,891	-	1,690	-	4,646	-	9,227
Progetto Ryan 3 Srl in liquidazione	-	3,611	-	2,033	-	-	(4,541)	1,103
FEB - Ernesto Breda S.p.A.	18,500	-	(18,500)	-	-	-	-	-
Breda Energia S.p.A. in liquidazione	-	-	6,162	-	-	-	-	6,162
Il Post Srl	-	400	-	229	-	-	(84)	545
Intek Investimenti Srl	20	-	-	-	-	660	-	680
Malpaso Srl	(3,148)	-	-	3,148	-	-	-	-
Mecchld Srl	-	-	-	217	-	-	-	217
Progetto Ryan 2 Srl in liquidazione	400	-	-	2	-	-	(102)	300
Rede Immobiliare Srl	5,510	-	-	(3,148)	-	-	-	2,362
Total Subsidiaries and Associates	**432,271**	**12,943**	**(12,338)**	**4,171**	**-**	**7,163**	**(6,307)**	**437,903**
Other	12	-	-	-	-	-	-	12
Total other investments	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**
Total investments	**432,283**	**12,943**	**(12,338)**	**4,171**	**-**	**7,163**	**(6,307)**	**437,915**
I2 Capital Partners Fund	7,344	-	-	266	(3,055)	437	-	4,992
Value Secondary Investment SICAR	45			-	(28)	-	(1)	16
Total Fund Units	**7,389**	**-**	**-**	**266**	**(3,083)**	**437**	**(1)**	**5,008**
ErgyCapital S.p.A. - Warrant	-	254	-	-	-	-	(254)	-
Total other investments	**-**	**254**	**-**	**-**	**-**	**-**	**(254)**	**-**
Investments in equity interests and fund units	**439,672**	**13,197**	**(12,338)**	**4,437**	**(3,083)**	**7,600**	**(6,562)**	**5,008**

The equity investments in ErgyCapital S.p.A., Culti Milano S.p.A., Progetto Ryan 3 Srl in liquidazione and Il Post Srl flowed into the company as an effect of the merger by incorporation of KME Partecipazioni, while Breda Energia S.p.A. in liquidation was due to the effect of the FEB merger.

Malpaso Srl was merged by incorporation into its subsidiary Rede Immobiliare which therefore became fully owned by Intek Group.

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 after taxes) of 9.98%, plus an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded.

The UDCF method was carried out on the basis of economic forecasts and changes in some balance sheet items contained in the 2017-2021 Plan ("the Plan"), prepared and approved by the KME AG Board of Directors.

Compared to last year, the Plan is characterized by an increase in the estimate of the future cash flows also in light of the turnaround and better conditions in the reference market. Following are the basic assumptions of the Plan:

- progressive recovery of the sales volumes of approximately 1.6% annually (the increase in demand of copper at the global level (CAGR 2017-2020) is 2.5%)
- increase in the added value (CAGR of approximately 3.6%) 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;
- investments are essentially stable at 4.6% of net invested capital.

The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), amortisation equal to investments and using a long-term growth rate "g" equal to zero.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved.

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 31 December 2016 plus a 2.5% spread;
- Unlevered Beta: average of unlevered 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 2015 the cash flows were discounted using a WACC discount rate of 10.04% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 2.0%, a market risk premium of 5.5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2016 test was furthermore subjected to a sensitivity analysis using a WACC from 8.98% to 10.98% 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 (2021). In both scenarios a discount rate representative of the average cost of capital (WACC) 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 values fluctuate between a minimum of Euro 484.4 million and a maximum of Euro 496.2 million and they were compared with other values resulting from other methods in particular using the market transaction multiples method with the EV/EBITDA multiple. The first was calculated based on historical data, using the 2016 EBITDA, as well as on perspective data, using 2017 EBITDA. The multiplier defined based on similar companies was respectively equal to 7.72x and 5.60x. As regards the transaction multiples method, we used the final EBITDA applying a multiplier of 9.32. Reductions of the multipliers by 10% were also considered for the control methods.

Given the difference between the results of the different methods, we considered it reasonable to average out the result of the UDCF method with the results of the other methods, assigning to the DCF a weight of 50% in the average weighting. The fair value estimated in this manner was equal to Euro 411.5 million.

The value of the equity investment in Culti Milano has also been determined based on the UDCF method applied to the plan that was approved by the company for the period from 2017 to 2020, which provides for a progressive increase of the EBITDA. In this case, the WACC was 10.77%. The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), using a long-term growth rate "g" equal to zero. In this case as well, the value obtained from the UDCF method was compared and averaged out with the results from other control methods.

The equity investment in ErgyCapital was assessed based on the stock market prices as at 31 December 2016.

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.

The stakes in “*Mutual investment funds*” relate almost entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR S.p.A. The value of the shares as at 31 December 2016 is equal to Euro 4,992 thousand, down by Euro 2,352 thousand compared to 31 December 2015. The reduction is due to the Euro 3,055 thousand of refunds received net of the payments made of Euro 266 thousand and the positive effects of the valuation for Euro 437 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*	*Share capital*	*Equity as at 31 December 2016*	*Profit/(loss) as at 31 December 2016*	*Percentage of interest*	*Carrying amount 31/12/2016*	*Carrying amount 31/12/2015*	*Difference*
KME Partecipazioni S.p.A.	Florence	*n/a*	*n/a*	*n/a*	*n/a*	-	65,000	(65,000)
I2 Capital Partners SGR S.p.A.	Milan	1,500	2,506	4	100.00%	2,500	2,500	-
Immobiliare Pictea Srl	Milan	80	5,670	167	100.00%	10,022	10,022	-
I2 Real Estate Srl	Ivrea (TO)	110	11,826	(598)	100.00%	11,750	12,400	(650)
Total Instrumental equity investments						**24,272**	**89,922**	**(65,650)**

The movements of the "*Instrumental equity investments*" item during 2016 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	131,494	-	131,494
Impairment losses	(41,572)	-	(41,572)
Balance at 31 December 2015	**89,922**	**-**	**89,922**
Cancellation due to the merger – historical cost	(87,978)	-	(87,978)
Cancellation due to the merger – impairment losses	22,978		
Impairment losses	(650)	-	(650)
Change for year	**(65,650)**	**-**	**(88,628)**
Historical cost	43,516	-	131,494
Impairment losses	(19,244)	-	(42,222)
Balance at 31 December 2016	**24,272**	**-**	**24,272**

During the year, there were no movements other than the merger of KME Partecipazioni and the value adjustment of Euro 650 thousand of I2 Real Estate arising from reduction of the shareholders' equity due to losses.

For the purpose of measuring the equity investments, the value of their equity was adjusted, in the case of Immobiliare Pictea, at the current value of the property:

4.3. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Receivables due from associates	35,722	711	-	-	35,011
Guarantee fees receivable	2,001	-	-	-	2,001
Non-current financial assets	**37,723**	**711**	**-**	**-**	**37,012**

The increase in the "*Receivables due from associates*" was mainly due to a loan of Euro 35,000 thousand to the subsidiary KME AG disbursed in 2016. The loan expires on 30 September 2018 and can be repaid early only in the event of a reduction by at least Euro 30.0 million of Tranche B of the syndicated loans granted by banks to KME AG. The annual rate applied is 3.75%, reviewable quarterly based on KME AG's borrowing cost.

The breakdown of receivables to subsidiaries and associates is as follows:

- KME AG 35,000
- Progetto Ryan 3 547
- NewCocot 175

35,722

"*Guarantee fees receivable*" are the present value of guarantee fees receivables due after 12 months, for guarantees issued by the Company to banks on behalf of the Group companies to which the loans were extended. These receivables were matched by payables of an equal amount.

4.4. *Property, plant and equipment*

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Plant and equipment	-	-	-	-	-
Other assets	371	468	-	-	(97)
Property, plant and equipment	**371**	**468**	**-**	**-**	**(97)**

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 2014	170	1,829	1,999
Increases	-	153	153
Disposals	-	(2)	(2)
Balance at 31 December 2015	170	1,980	2,150
Increases	-	39	39
Disposals	-	(81)	(81)
Balance at 31 December 2016	170	1,938	2,108
Accumulated depreciation			
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
Increases	-	61	61
Disposals	-	(6)	(6)
Balance at 31 December 2016	170	1,567	1,737
Net value			
31-Dec-2014	-	381	381
31-Dec-2015	-	468	468
31-Dec-2016	**-**	**371**	**371**

The increases and disposals during the period referred to office furniture.

Rates of depreciation for the year were: 12% office furniture and fittings, 20% office equipment and 25% vehicles

4.5. *Investment property*

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Investment property	**32**	**32**	**-**	**-**	**-**

The amount of Euro 32 thousand refers to a non-buildable lot located in Castronno (VA).

4.6. Goodwill

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Goodwill	**-**	**798**	**-**	**-**	**(798)**

The zeroing of this item is connected to write-downs made for the realisation of the contingent assets the goodwill referred to.

4.7. Intangible assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Other	6	3	-	-	3
Intangible assets	**6**	**3**	**-**	**-**	**3**

The 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)		
Cost		
Balance at 31 December 2014		6
Increases		1
Balance at 31 December 2015		7
Increases		5
Balance at 31 December 2016		12
Accumulated amortisation		
Balance at 31 December 2014		3
Increases		1
Balance at 31 December 2015		4
Increases		2
Balance at 31 December 2016		6
Net value		
	31-Dec-2014	3
	31-Dec-2015	3
	31-Dec-2016	**6**

4.8. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Other receivables	3	18	-	-	(15)
Other non-current assets	**3**	**18**	**-**	**-**	**(15)**

The item refers exclusively to guarantee deposits.

4.9. Current financial assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Loans to associates	23,966	38,148	5,602	-	(19,784)
Guarantee fees receivable	3,891	2,260	-	-	1,631
Investments in securities	4,775	3,008	23,895	-	(22,128)
Financial assets held for trading	324	11	373	57	(117)
Other current financial assets	2,000	672	2,000	-	(672)
Current financial assets	**34,956**	**44,099**	**31,870**	**57**	**(41,070)**

"*Loans to associates*" mainly include:

- Euro 9,000 thousand which is the balance of the current account held with subsidiary KME AG for a temporary cash investment;
- Euro 7,335 thousand balance in the current account held with the subsidiary I2 Real Estate;
- Euro 4,481 thousand balance in the current account held with the subsidiary ErgyCapital S.p.A.;
- Euro 2,337 thousand which is the balance of the current account held with the subsidiary Rede Immobiliare Srl.

"*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.

"*Investments in securities"* refer to harmonised UCIs (investment funds), in which a portion of the Company's liquidity was invested while awaiting other investment opportunities. These securities were sold in their entirety during 2017.

The "*Other*" item includes Euro 2,000 thousand of bank fixed deposits from the merger of KME Partecipazioni which are expected to be released within the third quarter of 2017.

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. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Due from customers – gross amount	*4*	*940*	-	-	(936)
Allowance for impairment	-	*(933)*	-	-	933
Due from customers – net amount	4	7	-	-	(3)
From leasing and factoring activities	6,742	7,420	-	-	(678)
Due from associates	7,021	2,582	-		4,439
Trade receivables	**13,767**	**10,009**	**-**	**-**	**3,758**

"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 the period.

Receivables *"due from associates"* refer to fees for loans already invoiced or administrative services provided.

4.11. Other current receivables and assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Tax assets	4,209	4,528	67	666	(1,052)
Receivables due from *special situations*	2,001	3,333	-	(1,321)	(11)
Prepayments and accrued income	78	27	-	-	51
Receivables due from associates	1,717	1,562	(57)	-	212
Other	798	127	-	6	665
Other current receivables and assets	**8,803**	**9,577**	**10**	**(649)**	**(135)**

"*Tax assets*" include receivables for direct taxes of Euro 1,400 thousand and receivables for VAT for Euro 2,809 thousand. The latter include advances of Euro 950 thousand, which were paid as part of the group VAT and Euro 586 thousand of VAT for which a refund has been requested from the FEB merger. During the year, receivables from refunds of direct taxes of Euro 1,800 thousand plus interest were collected.

"*Receivables due from special situations*" refer to insolvency proceedings in their entirety. During the year, due to the merger with FEB, additional receivables of Euro 3,332 thousand relative to positions from the previous Finanziaria Ernesto Breda procedure were cancelled. Again, due to this merger, Intek became the owner of the receivables from the Isotta Fraschini procedure (Euro 2,000 thousand).

"*Receivables due from associates*" include both for 2016 as well as 2015 only positions arising from the tax consolidation.

The "*Others*" item has increased on account of advances paid for projects that are under way.

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. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Bank and post office accounts	9,212	7,776	1,362	955	(881)
Cash on hand	4	9	-	1	(6)
Cash and cash equivalents	**9,216**	**7,785**	**1,362**	**956**	**(887)**

Please see the statement of cash flows for the cash flows of the year.

4.13. Non-current assets held for sale

This item refers to the properties belonging to the former Fime leasing operations.

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Properties held for sale	941	941	-	-	-
Non-current assets held for sale	**941**	**941**	**-**	**-**	**-**

4.14. Equity

The number of subscribed shares is as follows:

	Ordinary shares	*Savings shares*	*Total*
Issued at 31 December 2016	**345,506,670**	**50,109,818**	**395,616,488**

The "*Share Capital*" at 31 December 2016 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 12.67%). The shares have no par value. There were no changes during 2016 and 2015.

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.

In December 2016, 2,006,368 ordinary shares were applied to the swap arising from the merger of FEB - Ernesto Breda S.p.A. into Intek Group S.p.A.

At 31 December 2016, the Company held 5,713,572 ordinary treasury shares, or 1.65% of the voting capital (1.44% of total capital), and 11,801 savings shares, or 0.024% of the share capital represented by this category of shares.

The breakdown of the item "*Other Reserves*" is broken down as follows:

(in Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change*
Legal reserve	6,083,346	5,881,314	202,032
Share premium reserve	35,652	35,652	-
Available reserve (extraordinary)	11,899,957	13,368,646	(1,468,689)
FEB merger deficit reserve	2,122,907	-	2,122,907
Reserve for treasury shares held	1,819,672	2,456,254	(636,582)
Unavailable reserve	14,872,491	11,033,890	3,838,601
Reserves taxable on distribution	3,484,481	3,484,481	-
Costs associated with a share capital increase	(399,111)	(399,111)	-
Deferred tax assets recognised in equity	-	44,089	(44,089)
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on post-employment benefits (TFR)	(3,316)	3,008	(6,324)
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**39,142,931**	**35,135,075**	**4,007,856**

The "*Legal reserve*" and the "*Unavailable reserve*", established pursuant to Legislative Decree 38/2005, have increased due to the application of the profit for 2015. Both reserves can be used to cover losses. It is also noted that the unrealised capital gains from the fair value contributed to the distributable profit and therefore the privilege that is extended to the savings shareholders.

The "*Legal reserve*" and the "*Unavailable reserve*", established pursuant to Legislative Decree 38/2005, have increased due to the allocation of the profit for 2015. Both reserves can be used to cover losses. It is noted that the unrealised capital gains from the fair value did not contribute to the distributable profit and therefore the privilege that is extended to the savings shareholders.

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 a decrease of Euro 1,469 thousand as a result of the KME Partecipazioni merger due to the difference between the carrying amount of the equity investment and the adjusted shareholders' equity thereof.

The “*Reserves taxable on distribution*” and the “*Reserve for costs for public exchange offer 2012*” originated as part of the extraordinary transactions of 2012, the former is from the incorporated entity Intek, while the latter is due to costs incurred for capital transactions. The “*Costs associated with a share capital increase*” is of a similar nature.

The “*Reserve for treasury shares held*” has dropped following the use of treasury shares in the swap for the FEB merger, which also involved recognition of a “*Merger deficit reserve*” of Euro 2,123 thousand.

“*Profit /(loss) from previous year*” 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, paragraph 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 Company acquired 526 convertible bonds from the FEB merger which can be converted into 3,741,458 Intek Group shares.

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 law, employment contracts and IAS 19.

(in thousands of Euro)	*31 Dec. 2015*	*Increases*	*Contributions to the Funds*	*Decreases*	*31 Dec. 2016*
Clerical workers	172	33	(12)	(26)	167
Executives	113	30	(23)	-	120
IFRS Adjustments	33	5	-	-	38
Employee benefits	**318**	**68**	**(35)**	**(26)**	**325**

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

General Criteria	*31 Dec. 2016*	*31 Dec. 2015*
Discount rate	1.31%	2.03%
Rate of increase in future remuneration	1%	0.5-1.0%
Average remaining working life	10.8 years	11.7 years
General Criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also at 31 December 2016 for the actuarial valuation of the post-employment benefits (TFR).

4.16. Non-current payables and liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Financial guarantees issued liability	2,001	-	-	-	2,001
Due to lease companies	3	9	-	-	(6)
Non-current payables and liabilities	**2,004**	**9**	**-**	**-**	**1,995**

The item "*Financial guarantees issued liability*" represents the contra-entry of the item recorded under non-current financial assets having the same origin and it represents 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 refers in its entirety to guarantees issued for loans obtained by subsidiaries, it was considered that the current value of the commissions to be collected, recognised 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.

4.17. Bonds and SFP (equity financial instruments)

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Intek Group 2015/2020 bonds	100,990	100,789	-	-	201
Bonds and SFP (equity financial instruments)	**100,990**	**100,789**	**-**	**-**	**201**

The "*Intek Group 2015/2020 bonds*" have a duration from 2015 to 2020 and remuneration at a fixed rate of 5%. The nominal value of the issue is Euro 101,703,751.20 while the book value 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 change during the year is connected to the progressive recognition of the issue costs in profit and loss.

4.18. Other non-current liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Other liabilities	1,471	938	-	598	(65)
Other non-current liabilities	**1,471**	**938**	**-**	**598**	**(65)**

These are debts which originated as part of compositions with creditors. In particular, those from the FEB merger refer to untraceable debtors.

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 December 2015*			*Increases*	*FEB merger*	*Releases/uses*	*31 December 2016*		
	Non-current	*Current*	*Total*				*Non-current*	*Current*	*Total*
Legal risks provision	408	-	408	-	-	(408)	-	-	-
Provisions for risks for tax disputes	311	-	311	-	-	(11)	300	-	300
Provisions for risks on disposal of assets	4,094	-	4,094	-	-	(26)	4,068	-	4,068
Other provisions for risks and charges	151	-	151	-	28	(15)	164	-	164
Total	**4,964**	**-**	**4,964**	**-**	**28**	**(460)**	**4,532**	**-**	**4,532**

The "*Legal risks provisions*" have been zeroed by Euro 213 thousand due to excesses and Euro 195 thousand due to uses.

The "*Provisions for risks for tax disputes*", in line with 31 December 2016, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. The provision made covers the whole risk of the dispute.

The "*Provisions for risks on disposal of assets*" which is unchanged compared to 31 December 2015, 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 Appeal (Corte di Appello) for a dispute initiated by the bankruptcy receivers of a former leasing client.

"Other provisions for risks and charges" also include accruals for disputes raised by former employees and decreased, net of amounts arising from the FEB merger, 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 financial payables and liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Due to associates	11,812	40,939	(17,177)	(11,563)	(387)
Financial guarantees issued liability	3,891	2,260	-	-	1,631
Interest expense on bonds	4,389	4,375	-	-	14
Due to lease companies	6	6	-	-	-
Current financial payables and liabilities	**20,098**	**47,580**	**(17,177)**	**(11,563)**	**1,258**

The item *"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 subsidiaries:

- Euro 6,688 thousand with Immobiliare Pictea;
- Euro 3,823 with Breda Energia;
- Euro 1,301 thousand with I2 Capital Partners SGR.

The item "*Interest expense on bonds*" refers to the coupon expiring in February 2017, which was regularly paid.

"*Financial guarantees issued liability*" is the contra-entry of a non-current asset relating to the same guarantees; see note 4.9.

4.21. Trade payables

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

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Due to suppliers	674	1,090	23	137	(576)
Due to associates	123	255	-	16	(148)
Trade payables	**797**	**1,345**	**23**	**153**	**(724)**

4.22. Other current liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Payables to directors for end of office indemnity	746	710	-	-	36
Payables due to former lease customers	1,266	1,266	-	-	-
Payables due to employees	176	193	-	-	(17)
Tax liabilities	126	167	21	27	(89)
Payables due to associates	1,258	300	-	24	934
Payables due to social security institutions	84	64	1	3	16
Other liabilities	373	459	40	-	(126)
Other current liabilities	**4,029**	**3,159**	**62**	**54**	**754**

"*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 has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2017.

"*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 2016 and 31 December 2015, the item "*Tax liabilities*" mainly refers to payables to the tax authorities, for withholding amounts.

"*Payables due to associates*" mainly refer to group VAT debt positions.

4.23. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*KME Partecipazioni merger*	*FEB merger*	*Other movements*
Deferred tax assets	4,948	6,211	-	-	(1,263)
Deferred tax liabilities	(1,523)	(1,959)	-	211	225
Deferred tax assets and liabilities	**3,425**	**4,252**	**-**	**211**	**(1,038)**

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. 2016	*31 Dec. 2015*	*31 Dec. 2016*	*31 Dec. 2015*
Investment property	7	10	-	-
Investments in equity interests and fund units	-	-	455	632
Trade receivables	3,820	4,751	1,062	1,321
Provisions for risks and charges	690	911	-	-
Other current liabilities	92	107	-	-
Deferred tax assets on equity items	-	44	-	-
Deferred tax assets on tax losses carried forward	339	388	-	-
Total	**4,948**	**6,211**	**1,523**	**1,959**

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 temporary differences, to take into account the recent changes in the law. This adjustment resulted in a positive effect of Euro 25 thousand.

"*Deferred tax assets on tax loss 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:

- Euro 475 million for a loan obtained from a pool of banks, expiring in July 2018;
- Euro 355 million regarding the agreement concluded with GE Commercial Finance for *factoring without recourse* of transactions expiring in July 2018.
- Euro 29 million for loan taken out with Unicredit Mediocredito Centrale (UMCC), the residual amount of which is Euro 9.5 million. In this case as well, Intek Group remained on only as the guarantor of an amount equal to Euro 22 million.

The first two loans were renewed during 2016.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 25 million, and guarantees for tax credits of approximately Euro 1.9 million expiring insofar as Euro 1.2 million in 2017 and Euro 0.4 million in 2018, and Euro 0.3 million expiring in 2019.

Following the merger by incorporation with KME Partecipazioni S.p.A., Intek Group became the owner of commitments for the guarantees issued as part of the sale of the Cobra AT shares to Vodafone. They fall due in August 2017.

I2 Real Estate Srl 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 1.0 million), while for Tecno Servizi Srl 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).

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 1.9 million.

6. *Notes to the statement of comprehensive income*

6.1. *Net income from investing activities*

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Value adjustments on equity investments and securities	(650)	(17,500)	16,850	-96.29%
Gains/(losses) from the sale of equity investments and securities	(932)	-	(932)	n/a
Value adjustments on financial receivables from related companies	(11)	(1,377)	1,366	-99.20%
Measurement of investments at fair value	756	15,872	(15,116)	-95.24%
Measurement of fund units at fair value	503	55	448	814.55%
Dividends	105	16,437	(16,332)	n/a
Net income from investing activities	**(229)**	**13,487**	**(13,716)**	**-101.70%**

This item consists of the following amounts:

- value adjustments on equity investments of Euro 650 thousand on I2 Real Estate;
- losses from the sale of equity investments and securities for Euro 932 thousand of which Euro 279 thousand involve ErgyCapital warrants which matured in December 2016 and Euro 653 thousand from the sale of mutual fund units;
- measurement at fair value of equity investments including those which are positive for Euro 4,646 thousand on Culti Milano and Euro 1,577 thousand on KME AG and those which are negative by Euro 4,541 thousand on Progetto Ryan 3 and Euro 1,671 thousand on ErgyCapital (including the current portion).
- measurement at fair value of fund units of which Euro 437 thousand on the I2 Capital Partners fund.

For further details please see the comments under the corresponding asset items.

6.2. *Commissions on guarantees given*

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Commissions on guarantees given	4,005	3,254	751	23.08%
Commissions on guarantees given	**4,005**	**3,254**	**751**	**23.08%**

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)	*2016*	*2015*	*Change*	*% Change*
Income from "special situations"	1,364	549	815	148.45%
Provision of services to related companies	173	142	31	21.83%
Other income and revenues	65	-	65	n/a
Other income	**1,602**	**691**	**911**	**131.84%**

The "*Income from special situations*" refers to Intek's activities connected to undertaking of compositions with creditors.

The item "*Provision of services to related companies*" contains only the amounts invoiced for the administrative support to companies belonging to the group.

6.4. Personnel costs

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Wages and salaries	(931)	(1,014)	83	-8.19%
Social security charges	(280)	(272)	(8)	2.94%
Stock option costs	-	(19)	19	-100.00%
Charge backs of personnel expenses	(16)	(282)	266	-94.33%
Other personnel expense	(244)	(257)	13	-5.06%
Personnel costs	**(1,471)**	**(1,844)**	**373**	**-20.23%**

Other personnel expense includes remuneration to associates of Euro 107 thousand and an allocation to the employees' post-employment benefits of Euro 68 thousand.

Average number of employees:

	31 Dec. 2016	*31 Dec. 2015*	*Change*
Executives	3	3	-
Clerical workers	10	10	-
Average number of employees	**13**	**13**	**-**

6.5. Amortisation, depreciation and impairment

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Depreciation	(61)	(66)	5	-7.58%
Amortisation	(2)	(1)	(1)	100.00%
Impairment losses	(798)	(202)	(596)	295.05%
Amortisation, depreciation and impairment	**(861)**	**(269)**	**(592)**	**220.07%**

"*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)	*2016*	*2015*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,264)	(1,170)	(94)	8.03%
Professional services	(1,479)	(2,146)	667	-31.08%
Travel costs	(237)	(238)	1	-0.42%
Charges for legal disputes	(70)	-	(70)	n/a
Legal and company advertising	(184)	(270)	86	-31.85%
Electricity, heating, postal and telephone costs	(66)	(58)	(8)	13.79%
Insurance premiums	(98)	(90)	(8)	8.89%
Training and seminars	-	(3)	3	-100.00%
Real estate leases	(823)	(561)	(262)	46.70%
Maintenance	(26)	(36)	10	-27.78%
Leases and rentals	(77)	(79)	2	-2.53%
Various tax charges	(165)	(101)	(64)	63.37%
Membership fees	(148)	(208)	60	-28.85%
Other net costs	(171)	(170)	(1)	0.59%
Donations	(33)	(42)	9	-21.43%
Bank fees	(12)	(10)	(2)	20.00%
	(4,853)	*(5,182)*	*329*	*-6.35%*
Release of provisions	202	478	(276)	-57.74%
Provision for risks	-	(233)	233	-100.00%
Other operating costs	**(4,651)**	**(4,937)**	**286**	**-5.79%**

2015 was characterized by a higher cost for extraordinary transactions. The 2016 costs also include Euro 378 thousand of costs relative to merged companies and merger transactions.

6.7. Financial income and expense

(in thousands of Euro)	2016	2015	Change	% Change
Interest income from group companies	*2,211*	*760*	1,451	190.92%
Other Financial income and interests	*33*	*35*	(2)	-5.71%
Total financial income	2,244	795	1,449	182.26%
Interest expense with group companies	*(421)*	*(904)*	483	-53.43%
Loan interest expense	*(1)*	*(49)*	48	-97.96%
Interest expense on securities issued	*(5,299)*	*(5,378)*	79	-1.47%
Other financial expense	*(136)*	*(25)*	(111)	444.00%
Total financial expense	(5,857)	(6,356)	499	-7.85%
Net financial expense	**(3,613)**	**(5,561)**	**1,948**	**-35.03%**

"Financial income" mainly refers to interest accrued on intercompany accounts held at market interest rates.

"*Interest expense with group companies*" have decreased due to the mergers that took place during 2016, unlike "*Other financial expense*" which has increased due to surety costs connected to KME Partecipazioni.

6.8. Current and deferred taxes

(in thousands of Euro)	2016	2015	Change	% Change
Current taxes	1,771	1,042	729	69.96%
Deferred taxes	(994)	(1,824)	830	-45.50%
Current and deferred taxes	**777**	**(782)**	**1,559**	**-199.36%**

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

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	2016	2016
Profit/(loss) before taxes	(5,218)	4,823
Tax charge at theoretical rate	1,435	(1,326)
- Impairment losses on securities and investments that are non-deductible/non-taxable	(2,737)	(6,832)
- Fair value measurements	1,970	5,923
- Other	621	2,631
- Previous year taxes	(512)	(650)
- Change in tax rates	-	(528)
Total effective tax charge	**777**	**(782)**

7. <u>*Other information*</u>

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change*
Financial assets at fair value through profit or loss	453,914	444,951	8,963
Held-to-maturity assets	-	-	-
Loans and receivables	89,268	62,392	26,876
Investments in subsidiaries and other companies	24,272	89,922	(65,650)
Financial assets	**567,454**	**597,265**	**(29,811)**
Financial liabilities at fair value through profit or loss	(5,892)	(2,260)	(3,632)
Financial liabilities at amortised cost	(123,371)	(151,393)	28,022
Financial liabilities	**(129,263)**	**(153,653)**	**24,390**

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2016:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	442,923	-	442,923	
Instrumental equity investments	24,272	-	-	24,272
Other non-current assets	3	3	-	-
Non-current financial assets	37,723	35,722	2,001	-
Trade receivables	13,767	13,767	-	-
Other current receivables and assets	8,803	4,594	-	4,209
Current financial assets	34,956	25,966	8,990	-
Cash and cash equivalents	9,216	9,216	-	-
Total financial assets	**571,663**	**89,268**	**453,914**	**28,481**
Non-current payables and liabilities	(2,004)	(3)	(2,001)	-
Bonds and SFP (equity financial instruments)	(100,990)	(100,990)		-
Other non-current liabilities	(1,471)	(1,471)	-	-
Current financial payables and liabilities	(20,098)	(16,207)	(3,891)	-
Trade payables	(797)	(797)	-	-
Other current liabilities	(4,029)	(3,903)	-	(126)
Total financial liabilities	**(129,389)**	**(123,371)**	**(5,892)**	**(126)**

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 24.2 million.

The ageing of trade receivables from current transactions at the year-end was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down at 31 December 2016*	*Net value*
Not yet due	4,004	-	4,004
Up to 60 days past due	3,021	-	3,021
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	-	-	-
Trade receivables	**7,025**	**-**	**7,025**

The provision for doubtful trade receivables is Euro 933 thousand and was used in its entirety.

7.4. Currency risk

Intek Group S.p.A. had no financial statement 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 2016 was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Financial assets	-	-
Financial liabilities	(100,990)	(100,789)
Fixed-rate instruments	**(100,990)**	**(100,789)**
Financial assets	61,688	38,148
Financial liabilities	(11,815)	(40,945)
Floating rate instruments	**49,873**	**(2,797)**

The fixed rate financial liabilities refer to outstanding bonds.

7.6. Exposure to the risk of fluctuations in share value

This risk is connected to the investments held in the portfolio of Euro 443 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 impact on equity and the loss for the year of around Euro 200 thousand.

7.8. Fair value and carrying amount

Pursuant to IFRS 13 paragraph 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, paragraph 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 fair value hierarchy shall have the following 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	442,923	4,461	-	438,462
Non-current financial assets	2,001	-	-	2,001
Current financial assets	8,990	5,031	-	3,959
Total financial assets	**453,914**	**9,492**	**-**	**444,422**
Non-current payables and liabilities	(2,001)	-	-	(2,001)
Current financial payables and liabilities	(3,891)	-	-	(3,891)
Total financial liabilities	**(5,892)**	**-**	**-**	**(5,892)**

The financial instruments recognised in the balance sheet and income statement 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, excluding those listed. For determination of the fair value of the equity investment and the investment funds unit, 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 2016 between Levels 1 and 2.

7.10. Other financial obligations

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

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Within 1 year	537	594
From 1 to 5 years	1,668	2,253
Minimum irrevocable payments	**2,205**	**2,847**

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, Deloitte & Touche S.p.A. and other companies belonging to its network:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	992	110	882
b) fees other than audit			
- audit services for the issue of certification	-		
financial covenants, compliance opinions	26	-	26
- other fees	8	5	3
c) fees charged by network companies	239	-	239
Independent auditors’ fees	**1,265**	**115**	**1,150**

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 financial assets*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Breda Energia S.p.A. in liquidazione	-	-	-	-	(3,823)	-	-
Culti Milano S.p.A.	-	59	40	-	-	(2)	-
EM Moulds S.p.A.	-	-	12	-	-	-	-
ErgyCapital S.p.A.	-	4,481	207	-	-	-	-
ErgycaOne S.p.A.		250	-				
I2 Capital Partners SGR S.p.A.	-	-	-	-	(1,301)	-	(16)
I2 Capital Principals	-	210	-	-	-	-	-
I2 Real Estate Srl	-	7,335	-	-	-	(5)	-
Immobiliare Agricola Limestre Srl	-	-	1	-	-	-	-
Immobiliare Pictea Srl	-		-	-	(6,688)	-	-
Intek Investimenti Srl	-	1	15	-	-	-	-
KME AG	35,000	9,000	6,156	-	-	-	-
KME Brass Italy Srl	-	-	16	-	-	-	-
Tréfimetaux Sas	-	-	12	-	-	-	-
KME Germany GmbH	-	-	32	-	-	-	(12)
KME Italy S.p.A.	-	-	40	-	-	-	-
KME Yorkshire Ltd	-	293	227	-	-	-	(7)
Valika SAS	-	-	2	-	-	-	-
New Cocot Srl in liquidazione	175	-	15	-	-	-	-
Progetto Ryan 2 Srl in liquidazione	-	-	-	-	-	-	(200)
Progetto Ryan 3 Srl in liquidazione	547	-	51	-	-	-	-
Quattroduedue S.p.A.	-	-	9	-	-	-	-
Rede Immobiliare Srl	-	2,337	-	-	-	-	-
Società Agr. San Vito Biogas Srl	-	-	185	-	-	-	-
Directors/Statutory Auditors	-	-	-	-	-	(116)	(835)
Receivables from guarantees issued	2,001	3,891	-	-	-	-	-
Receivables/Payables for group VAT	-		-	-	-	-	(934)
Receivables/Payables for tax consolidation	-		-	1,716	-	-	-
	37,723	**27,857**	**7,020**	**1,716**	**(11,812)**	**(123)**	**(2,004)**

(in thousands of Euro)	*Net income from investing activities*	*Commissions on guarantees given*	*Other operating revenue*	*Personnel costs*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia S.p.A. in liquidazione	-	8	15	-	-	-	(141)
Culti Milano S.p.A.	4,646	4	-	-	(1)	46	-
EM Moulds Srl	-	26	-	-	-	-	-
ErgyCapital S.p.A.	(1,950)	7	-	-	-	120	-
Green Recycle Srl	-	1	-	-	-	-	-
I2 Capital Partners SGR S.p.A.	-	-	103	(16)	-	-	(23)
I2 Real Estate Srl	(650)	-	-	-	(26)	172	-
Immobiliare agricola Limestre Srl	-	1	-	-	-	-	-
Immobiliare Pictea Srl	-	-	25	-	(650)	-	(257)
Intek Investimenti Srl	660	-	15	-	-	1	-
Inteservice Srl in liquidazione	(11)	-	-	-	-	-	-
KME AG	1,557	3,779	-	-	-	1,780	-
KME Beteiligungsgesellsch.mbH	300	-	-	-	-	-	-
KME Brass Italy Srl	-	30	-	-	-	-	-
KME Germany & CO KG Gmbh	-	77	-	-	(14)	-	-
KME Italy S.p.A.	-	72	-	-	(4)	-	-
KME Srl	-	-	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	-	-	9	-
Il Post S.p.A.	(84)	-	-	-	-	-	-
Progetto Ryan 2 Srl in liquidazione	(112)	-	-	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	(4,541)	-	-	-	-	11	-
Quattroduedue Holding B.V.	-	-	-	-	-	-	-
Quattroduedue S.p.A.	-	-	15	-	-	50	-
Rede immobiliare Srl	-	-	-	-	-	22	-
	(185)	**4,005**	**173**	**(16)**	**(1,851)**	**2,211**	**(421)**
Total	**(229)**	**4,005**	**985**	**(1,471)**	**(4,034)**	**2,244**	**(5,857)**
Effect	**80.79%**	**100.00%**	**17.56%**	**1.09%**	**45.88%**	**98.53%**	**7.19%**

Annex 1 - Summary of the merger effects

(in thousands of Euro)	*Intek Group Prior to mergers*	*KME Partecipazioni merger*				*FEB merger*				*Intek Group After mergers*
		KME Partecipazioni	*Intra-group balances*	*Merger adjustments*	*Total*	*FEB/Bredafin Innovazione*	*Intra-group balances*	*Merger adjustments*	*Total*	
Investments in equity interests and fund units	439,672	11,626	-	1,571	13,197	8,816	-	(21,154)	(12,338)	440,531
Instrumental equity investments	89,922	-	-	(65,000)	(65,000)	-	-	-	-	24,922
Non-current financial assets	711	-	-	-	-	-	-	-	-	711
Property, plant and equipment	468	-	-	-	-	-	-	-	-	468
Investment property	32	-	-	-	-	-	-	-	-	32
Goodwill	798	-	-	-	-	-	-	-	-	798
Intangible assets	3	-	-	-	-	-	-	-	-	3
Other non-current assets	18	-	-	-	-	-	-	-	-	18
Deferred tax assets	6,211	-	-	-	-	-	-	-	-	6,211
Total non-current assets	**537,835**	**11,626**	**-**	**(63,429)**	**(51,803)**	**8,816**	**-**	**(21,154)**	**(12,338)**	**473,694**
Current financial assets	44,099	48,030	(17,177)	1,017	31,870	14,886	(14,829)	-	57	76,026
Trade receivables	10,009	-	-	-	-	-	-	-	-	10,009
Other current receivables and assets	9,577	67	(57)	-	10	2,683	-	(3,332)	(649)	8,938
Cash and cash equivalents	7,785	1,362	-	-	1,362	1,721	-	(765)	956	10,103
Total current assets	**71,470**	**49,459**	**(17,234)**	**1,017**	**33,242**	**19,290**	**(14,829)**	**(4,097)**	**364**	**105,076**
Non-current assets held for sale	**941**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**941**
Total assets	**610,246**	**61,085**	**(17,234)**	**(62,412)**	**(18,561)**	**28,106**	**(14,829)**	**(25,251)**	**(11,974)**	**579,711**
Equity	**449,185**	**60,943**	**-**	**(62,412)**	**(1,469)**	**20,508**	**-**	**(21,541)**	**(1,033)**	**446,683**
Employee benefits	318	-	-	-	-	-	-	-	-	318
Deferred tax liabilities	1,959	-	-	-	-	-	-	(211)	(211)	1,748
Non-current payables and liabilities	9	-	-	-	-	-	-	-	-	9
Bonds and SFP (equity financial instruments)	100,789	-	-	-	-	-	-	-	-	100,789
Other non-current liabilities	938	-	-	-	-	598	-	-	598	1,536
Provisions for risks and charges	4,964	-	-	-	-	3,527	-	(3,499)	28	4,992
Total non-current liabilities	**108,977**	**-**	**-**	**-**	**-**	**4,125**	**-**	**(3,710)**	**415**	**109,392**
Current financial payables and liabilities	47,580	-	(17,177)	-	(17,177)	3,266	(14,829)	-	(11,563)	18,840
Trade payables	1,345	23	-	-	23	153	-	-	153	1,521
Other current liabilities	3,159	119	(57)	-	62	54	-	-	54	3,275
Provisions for risks and charges - current portion	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**52,084**	**142**	**(17,234)**	**-**	**(17,092)**	**3,473**	**(14,829)**	**-**	**(11,356)**	**23,636**
Total liabilities and equity	**610,246**	**61,085**	**(17,234)**	**(62,412)**	**(18,561)**	**28,106**	**(14,829)**	**(25,251)**	**(11,974)**	**579,711**

List of shareholdings as at 31 December 2016 and the changes compared to 31 December 2015

Investments (Euro)	Notes	Par value	Balance as at 31 December 2015		Changes in the period (+ / -)		Adjustments	Balance as at 31 December 2016				Value on the Stock Exchange at 31 December 2016		Difference
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average book value	Book value	Unit	Controvalore	
Subsidiaries and other shareholdings (recogn. under fin. fixed assets)														
KME A.G.	(*)	no nominal value	27.918.276	409.988.500	-	-	1.557.500	27.918.276	100,00%		411.546.000			
KME Germany Beteiligungs Gmbh	(*)		-	1.000.000	-	-	300.000	-	100,00%		1.300.000			
Ergycapital SpA *(1)*	(*)	no nominal value	-	-	77.447.228	4.460.960		77.447.228	49,04%		4.460.960	0,06	4.460.960,00	-
Culti Milano SpA	(*)	1.690.000	-	-	1.690.000	4.580.500	4.646.500	1.690.000	89,13%		9.227.000			
Progetto Ryan 3 Srl in liquidazione	(*)	100.000	-		1	5.643.763	(4.541.000)	1	100,00%		1.102.763			
FEB - Ernesto Breda SpA	(*)	no nominal value	2.318.661.170	18.500.000	(2.318.661.170)	(18.500.000)	-	-	0,00%		-			
Breda Energia SpA in liquidazione	(*)	5.164.569	-	-	10.000.000	6.161.905	-	10.000.000	100,00%		6.161.905			
Il post SpA	(*)	56.593	-	-	56.593	628.509	(84.000)	56.593	19,90%		544.509			
Intek Investimenti Srl (former FEB Investimenti Srl	(*)	10.000	-	20.000	-	-	660.000	-	100,00%		680.000			
Malpaso Srl	(*)	10.000	1	(3.148.532)	(1)	3.148.532	-	-	100,00%		-			
Rede Immobiliare Srl	(*)	49.100	1	5.510.541	-	(3.148.532)	-	1	100,00%		2.362.009			
Intomalte SpA	(*)	516	200	1	-	-	-	200	20,00%		1			
Interservice Srl in liquidazione	(*)	90.000	1	1	(1)	(1)	-	-	0,00%		-			
Newcocot Srl in liquidazione	(*)	2.780	1	1	-	-	-	1	27,80%		1			
Mecchld Srl	(*)	8.000	-	-	1	217.590	-	1	10,00%		217.590			
Progetto Ryan 2 Srl in liquidazione	(*)	387.200	1	400.000	-	11.819	(112.000)	1	100,00%		299.819			
KME Partecipazioni SpA		1	47.900.000	65.000.000	(47.900.000)	(65.000.000)	-	-	0,00%		-			
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	12.399.673	-	-	(650.000)	1	100,00%		11.749.673			
Total				**522.192.545**		**(61.794.955)**	**1.777.000**				**462.174.590**			**-**
Treasury Shares (recognized as a reduction of consolidated equity)														
Intek Group S.p.A. savings shares		no nominal value	11.801	6.867	-	-		11.801	-	0,5819	6.867	0,3450	4.071	2.796
Intek Group S.p.A. ordinary shares		no nominal value	7.719.940	2.449.386	(2.006.368)	(636.581)		5.713.572	-	0,3173	1.812.805	0,2048	1.170.140	642.665
Total				**2.456.253**		**(636.581)**	**-**				**1.819.672**			**645.461**
Total				**524.648.798**			**1.777.000**				**463.994.262**			

(*): under "Investments and fund units"

(1) Intek Group owns further 4.458.440 ordinary shares in Ergycapital Spa which were recognised under current assets

List of indirect shareholdings as at 31 December 2016

Company Name	Reg. Office	Activity	Currency	Share Capital	% of investment	Investor Company	Total investment
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	35.296.000	71,50%	KME Germany Gmbh & Co. K.G.	71,50%
Bertram's GmbH	Germany	Services	Euro	300.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
bvba KME Benelux sprl	Belgium	Business	Euro	62.000	84,70%	KME Germany Gmbh & Co. K.G.	100,00%
					15,30%	KME Italy SpA	
Culti A.G. in liquidazione	Switzerland	Business	CHF	100.000	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
Culti USA LLC	USA	Business	$US	-	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
Cuprum S.A.U.	Spain	Services	Euro	60.910	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Dalian Dashan Chrystallizer Co. Ltd.	China	Industrial	RMB	40.000.000	70,00%	KME A.G.	70,00%
Dalian Dashan Heavy Machinery Co. Ltd.	China	Industrial	RMB	20.000.000	70,00%	KME A.G.	70,00%
Dalian ETDZ Surface Machinery Co. Ltd.	China	Industrial	RMB	10.000.000	70,00%	KME A.G.	70,00%
E.Geo Srl	Italy	Geothermal	Euro	100.000	92,00%	Ergycapital SpA	92,00%
Editoriale Fiorentina Srl	Italy	Publishing	Euro	1.000.000	7,13%	KME Italy SpA	7,13%
EM Moulds Srl	Italy	Business	Euro	115.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Energetica Solare Srl	Italy	O&M Photovoltaic	Euro	116.945	100,00%	Ergycapital SpA	100,00%
Ergyca Bio Srl in liquidazione	Italy		Euro	100.000	100,00%	Ergycapital SpA	100,00%
Ergyca Eight Srl	Italy	Photovoltaic	Euro	119.000	100,00%	Ergycapital SpA	100,00%
Ergyca Four Srl	Italy	Photovoltaic	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca Green Srl	Italy	Photovoltaic	Euro	119.000	100,00%	Ergycapital SpA	100,00%
Ergyca Industrial Srl	Italy	Photovoltaic	Euro	100.000	100,00%	Ergycapital SpA	100,00%
Ergyca Light Srl	Italy	Photovoltaic	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca One Srl	Italy	Photovoltaic	Euro	100.000	100,00%	Ergycapital SpA	100,00%
Ergyca Sole Srl	Italy	Photovoltaic	Euro	10.000	100,00%	Ergycapital SpA	100,00%
Ergyca Sun Sicilia Srl in liquidazione	Italy		Euro	50.000	100,00%	Ergycapital SpA	100,00%
Ergyca Tracker Srl	Italy	Photovoltaic	Euro	1.000.000	51,00%	Ergycapital SpA	51,00%
Ergyca Tracker 2 Srl	Italy	Photovoltaic	Euro	10.000	100,00%	Ergy Tracker Srl	100,00%
Ergyca Two Srl in liquidazione	Italy		Euro	10.000	100,00%	Ergycapital SpA	100,00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	Not operating	Euro	30.000	50,00%	KME A.G.	50,00%
Fossati Uno Srl	Italy		Euro		35,00%	I2 Real Estate Srl	35,00%
Fricke GmbH	Germany	Industrial	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
GreenRecycle Srl	Italy	Trading of metals	Euro	500.000	100,00%	KME Recycle Srl	100,00%
HC Srl in liquidazione	Italy	Not operating	Euro	10.000	100,00%	Progetto Ryan 3 Srl in liquidazione	100,00%
HG Power Srl in liquidazione	Italy		Euro	100.000	51,00%	Ergycapital SpA	51,00%
Immobiliare Agricola Limestre Srl	Italy	Real Estate	Euro	110.000	100,00%	KME A.G.	100,00%
Irish Metal Industries Ltd.	Ireland	Business	Euro	127	100,00%	KME Yorkshire Ltd.	100,00%
kabelmetal Messing Beteiligungs GmbH, Osnabrück	Germany	Real Estate	Euro	4.514.200	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KMD Connectors Stolberg GmbH	Germany	Industrial	Euro	1.000.000	50,00%	KMD (HK) Holdings Ltd.	50,00%
KMD (HK) Holding Limited	China	Holding	HKD	1.535.252.400	50,00%	KME A.G.	50,00%
KMD Precise Copper Strip Co. Ltd.	China	Industrial	USD	163.632.000	50,00%	KMD (HK) Holdings Ltd.	50,00%
KME – MAGMA Service Ukraine LLC	Ucraine	Business	UAH	14.174.217	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Srl	Italy	Services	Euro	115.000	100,00%	KME A.G.	100,00%
KME (Suisse) S.A.	Switzerland	Business	CHF	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Inc.	USA	Business	USD	5.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Holding Inc.	USA	Holding	USD	1.000	61,54%	KME Germany Gmbh & Co. K.G.	100,00%
					38,46%	KME America Inc.	
KME America Marine Tube, LLC	USA	Design	USD	2.132.000	82,51%	KME America Marine Holding Inc.	82,51%
KME Asia Pte. Ltd. In liquidazione	Singapore	Not operating	$SG	200.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass France S.A.S.	France	Industrial	Euro	7.800.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass Germany GmbH	Germany	Industrial	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Brass Italy Srl	Italy	Industrial	Euro	15.025.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Chile Lda.	Chile	Trading of metals	PSC	9.000.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Germany GmbH & Co. KG	Germany	Industrial	Euro	180.500.000	100,00%	KME A.G.	100,00%
KME Germany Holding Gmbh	Germany	Not operating	Euro	25.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Grundstuecksgesellschaft AG & Co. KG	Germany	Real Estate	Euro	50.000	99,00%	KME A.G.	100,00%
					1,00%	KME Germany Gmbh & Co. K.G.	
KME Ibertubos S.A.U.	Spain	Industrial	Euro	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME India Private Ltd.	India	Business	INR	5.896.750	99,80%	KME Germany Gmbh & Co. K.G.	100,00%
					0,20%	KME A.G.	
KME Italy S.p.A	Italy	Industrial	Euro	103.839.000	100,00%	KME A.G.	100,00%
KME Kalip Servis A.S.	Turkey	Business	TRY	950.000	85,00%	KME Germany Gmbh & Co. K.G.	85,00%
KME Marine Service America LLC	USA	Industrial	USD	100	100,00%	KME America Marine Holding Inc.	100,00%
KME Metal Gmbh	Germany	Not operating	Euro	25.000	100,00%	KME A.G.	100,00%
KME Metals (Shanghai) Trading Ltd.	China	Business	USD	100.000	100,00%	KME A.G.	100,00%
KME Moulds Mexico S.A. de C.V.	Mexico	Services	MXN	7.642.226	99,99%	KME Germany Gmbh & Co. K.G.	100,00%
					0,01%	Kabelmetal Messing Bet. GmbH	
KME Moulds Service Australia PTY Ltd.	Australia	Business	AUD	100	65,00%	KME Germany Gmbh & Co. K.G.	65,00%
KME Nordic A/S	Denmark	Business	DKK	1.000.000	30,00%	Metalcenter Danmark A/S	30,00%
KME Polska Sp.z.o.o.	Poland	Business	PLN	250.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Recycle Srl	Italy	Holding	Euro	2.000.000	100,00%	KME A.G.	100,00%
KME Rolled France SAS	France	Not operating	Euro	40.000	100,00%	KME Italy SpA	100,00%
KME Service Russland Ltd.	Russia	Services	RUB	10.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Solar Italy Srl in liquidazione	Italy	Architectural Solutions	Euro	10.000	98,00%	KME Germany Gmbh & Co. K.G.	98,00%
KME Spain S.A.U.	Spain	Business	Euro	92.446	100,00%	KME A.G.	100,00%
Kmetal Srl	Italy	Trading of metals	Euro	100.000	100,00%	KME A.G.	100,00%
KME Yorkshire Ltd.	UK	Industrial	LST	10.014.603	100,00%	KME A.G.	100,00%
Metalcenter Danmark A/S	Denmark	Business	DKK	1.524.880	30,00%	KME Germany Gmbh & Co. K.G.	30,00%
Metalcenter Finland Oy AB	Finland	Business	Euro	100.000	25,50%	Metalcenter Danmark A/S	25,50%
Metalcenter Sverige AB	Sweden	Business	SEK	5.000.000	22,02%	Metalcenter Danmark A/S	22,02%
Oasi Dynamo Società Agricola Srl	Italy	Agricultural	Euro	20.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Business	PLN	7.865.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Serravalle Copper Tubes Italy S.r.l.	Italy	Industrial	Euro	3.000.000	100,00%	Trefimetaux S.A.S	100,00%
Società Agricola Agrienergia Srl	Italy	Biogas	Euro	20.000	51,00%	Ergycapital SpA	51,00%
Società Agricola Carmagnola Biogas Srl	Italy	Biogas	Euro	10.000	51,00%	Ergycapital SpA	51,00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Business	$SG	352	28,41%	KME Germany Gmbh & Co. K.G.	28,41%
Tecno Servizi Srl	Italy	Real Estate	Euro	50.000	100,00%	I2 Real Estate Srl	100,00%
Trefimetaux S.A.S	France	Industrial	Euro	15.000.000	51,00%	KME A.G.	51,00%
Valika S.A.S.	France	Trading of metals	Euro	200.000	51,00%	KME Recycle Srl	51,00%

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS PARAGRAPH 5 OF LEG. 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 no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of INTEK Group SpA, hereby 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 2016, 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 accounting 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. *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 27, as introduced by EU Regulation no. 1174/2013) was applied in 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 operating performance and results and the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 26 April 2017

The Chairman	The Manager in charge of Financial Reporting
______________________	______________________
Vincenzo Manes	*Giuseppe Mazza*

Report of the Board of Statutory Auditors enclosed to the financial statements for the year ended 31 December 2016, prepared pursuant to article 153 TUF and article 2429, paragraph 3 of the Italian Civil Code and submitted to the Shareholders' Meeting

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 Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), 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 Corporate Governance Code.

This report is divided, as it is every year, in individual chapters which correspond to the disclosure obligations set by CONSOB and suggested by the Italian National Council of Chartered Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), for better comprehension and comparability.

Significant events occurred in 2016

In 2016, various extraordinary transactions took place involving the Company, in particular:

1) **The restructuring of the Copper Sector continued:**

The credit lines and the relative loan agreements were formalised in July 2016, while in 2017 the aforementioned lines were increased as a new credit institution joined the pool.

With regard to activities carried out in France, the joint venture with the Cupori Group concerning the Serravalle Scrivia and Niederbruck plants was executed as planned.

With regard to the Italian operations, an agreement was reached with the work force which agreed, also through social safety nets, to render the management of the plant located in

Fornaci di Barga more economical partly due to the concurrent deployment of the new smaller furnace.

2) **Merger of the 100%-owned subsidiary KME Partecipazioni S.p.A. into Intek Group:**

In an effort to simplify and reduce costs and inefficiencies, the merger by incorporation of the 100%-owned subsidiary KME Partecipazioni entered into effect from 01.01.2016.

3) **Merger of FEB - Ernesto Breda S.p.A. into Intek Group:**

In December 2016, the merger by incorporation of the investee FEB -Ernesto Breda S.p.A. entered into effect, again from 01.01.2016.

4) **Ongoing merger with ErgyCapital:**

For completeness of information, we note that, in an effort to simplify as above, in January 2017 the process for conclusion of the merger by incorporation of the de facto subsidiary ErgyCapital S.p.A. into Intek Group has begun.

5) **Redemptions from the I2 Capital Partners Fund:**

In 2016, Intek Group obtained from this Fund redemptions of Euro 3.1 million.

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 EY S.p.A.

Upon completion of these verifications, there were no elements that were found to be inconsistent and/or illogical in the conclusions reached.

The following table summarises the result of these assessments regarding the equity investments, compared with the book values in the previous year:

(in thousands of Euro) *Name*	*Registered office*	*Percentage of interest*	*31 Dec. 2016*	*31 Dec. 2015*	*Difference*
Subsidiaries					
KME AG	Osnabruck (D)	100.00%	411,546	409,989	1,557
KME Beteiligungsgesellsch.mbH	Osnabruck (D)	100.00%	1,300	1,000	300
ErgyCapital S.p.A.	Florence	49.04%	4,461	-	4,461
Culti Milano S.p.A.	Milan	90.00%	9,227	-	9,227
Progetto Ryan 3 Srl in liquidazione	Milan	100.00%	1,103	-	1,103
FEB - Ernesto Breda S.p.A.	Milan	86.55%	-	18,500	(18,500)
Breda Energia S.p.A. in liquidazione	Milan	100.00%	6,162	-	6,162
Il Post Srl	Milan	19.90%	545	-	545
Intek Investimenti Srl	Milan	100.00%	680	20	660
MecchId Srl	Milan	10.00%	217	-	217
Progetto Ryan 2 Srl in liquidazione	Milan	100.00%	300	400	(100)
Rede Immobiliare Srl	Milan	100.00%	2,362	5,510	(3,148)
Malpaso Srl	Milan	100.00%	-	(3,148)	3,148
Total subsidiaries and associates			**437,903**	**432,271**	**5,632**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**437,915**	**432,283**	**5,632**
I2 Capital Partners Fund			4,992	7,344	(2,352)
Value Secondary Investment SICAR			16	45	(29)
Total Fund Units			**5,008**	**7,389**	**(2,381)**
ErgyCapital S.p.A. - Warrant	Florence		-	-	-
Total other investments			**-**	**-**	**-**
Investments in equity interests and fund units			**442,923**	**439,672**	**3,251**

Atypical or unusual transactions, including intra-group or related party transactions during 2016

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 essentially related to the provision of services, including financial and administrative services.

The Board nevertheless participated in the meetings of the Control and Risk Committee in 2016.

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 notes they did not receive any claims pursuant to article 2408 of the Italian Civil Code to report to the Shareholders' Meeting, except as referred in the report enclosed to the 2015 financial statements.

Duties of the Independent Auditors Deloitte & Touche S.p.A.

In addition to auditing, for which total consideration of Euro 110 thousand was paid by the Parent, further Euro 882 thousand were paid by the Group for auditing.

The Independent Auditors and/or individuals related to the latter on an ongoing basis received additional mandates at the Group level amounting to Euro 239 thousand.

There were no critical aspects regarding the independence of the Independent Auditors.

Opinions issued by the Independent Auditors in compliance with legal requirements

In 2016, the Independent Auditors issued no comments in favour of Intek Group pursuant to the law. Within the scope of the merger with FEB - Ernesto Breda S.p.A., an opinion was issued for the latter pursuant to article 2437-ter, second paragraph, of the Italian Civil Code relative to the share liquidation value regarding the withdrawal.

Supervisory activities concerning observance of the law and the Articles of Association

The Board of Statutory Auditors has regularly attended the meetings of the Board of Directors and of the Control and Risk 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 2016, the Board of Statutory Auditors met 4 times compared to the 5 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 enclosed to 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 the Independent Auditors 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.

The Board verified that all impairment testing procedures at Group level took place with the support of the appropriate independent advisors, in this case EY S.p.A.

The Company published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes. No instances of non-compliance came to the attention of the Board of Statutory Auditors in the performance of its supervisory activities.

The Board of Statutory Auditors 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.

The Company's organizational structure is adequate in terms of the coordination activity of the group.

The Board also verified:

- that the Company complied with the Corporate Governance Code prepared by Borsa Italiana S.p.A.;
- that the Company has regularly established the "Control and Risk Committee," that operated regularly throughout 2016;
- that the Board is comprised of 3 Independent Directors, a number which is considered adequate for the operations of the Board;
- that the Executive Directors reported to the Board the operations carried out in terms of the delegations conferred upon them;

During 2016, 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.

In conclusion, based on the information acquired and the internal and external information flows, the Board of Statutory Auditors has ascertained compliance of the organizational structure, internal procedures, corporate documents and resolutions of the corporate bodies with the law, the provisions of the Articles of Association and the applicable regulations, as well as the conduct codes, which the Company has declared it will comply with.

The Board of Statutory Auditors notes that each of the Company's bodies and functions has fulfilled the disclosure obligations as required by the applicable laws.

The Board of Statutory Auditors notes that there are no interests that one or more statutory auditors had, on their own behalf or on that of third parties, in a specific transaction during the year.

These activities led to the following conclusions:

Monitoring of compliance with the principles of good administration

Based on the information acquired, the Board of Statutory Auditors notes that the choices of the management were reasoned and guided by the principle of correct information and the directors are aware of the risks and the effects of the transactions they carried out.

Monitoring of the adequacy of the organizational structure

Based on the information acquired and the information provided above, the Board of Statutory Auditors has found the organizational structure to be adequate in terms of its structure, procedures, competences and responsibilities, considering also the size and purpose of the Company.

During the year, no critical areas emerged in relation to the independence of each member of the Board or with regard to the operation of the latter.

Similarly, no critical areas were found in the operation of the Board of Directors and the Control and Risk Committee.

In particular, there were no critical areas in relation to the performance of the functions of the Independent Directors who, within the Board of Directors, carried out their functions also with reference to the remuneration paid to the Directors, given the absence of a Remuneration Committee.

Regarding the operation of the corporate bodies, and in order to avoid providing overlapping information, please see the report on Corporate Governance prepared by the Directors.

Monitoring of the adequacy of the internal control system

Based on the information acquired, the Board of Statutory Auditors reports that the overall internal control, internal audit and risk management system, particularly with regard to the Control and Risk Committee activities, was found to be adequate.

In particular, there are no observations on the report concerning the activities carried out by said Committee.

Monitoring of the adequacy of the administrative-accounting system and the legally-required audit.

The Board of Statutory Auditors was in regular contact with the Independent Auditors Deloitte & Touche S.p.A., which today issued its own report to the financial statements without any comments.

There are no critical areas insofar as the auditor independence requirement.

Actual implementation of the rules on corporate governance

In relation to the corporate governance and its adjustment, based on the information acquired, the Board of Statutory Auditors notes that the Company has complied with the Corporate Governance Code of Borsa Italiana S.p.A. and no critical areas were found during the period under review.

Monitoring of the relations with subsidiaries and parent companies

The Board of Statutory Auditors has received constant information regarding the relations with other Group companies, including through participation in the meetings of the Control and Risk Committee.

Monitoring of transactions with related parties

With regard to the transactions with related parties, the Board, mainly through its participation in the meetings of the Control and Risk Committee, was informed of transactions with related parties and there are no comments in this regard.

Analysis of the 2016 separate financial statements

The financial statements as at 31 December 2016 show a negative result of €/4,441 thousand. On 28 April 2017, the Independent Auditors issued thier own report without reservations, containing a positive opinion regarding the 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 26 April 2017, 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 2016, and their compliance with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors is in agreement with the proposed approval of the financial statements as at and for the year ended 31 December 2016, covering the Euro 4,440,689 loss as follows:

- Euro 2,122,907 through full use of the “FEB merger deficit reserve” which was zeroed as a result;

- the remaining amount of Euro 2,317,782 is taken from the "(Extraordinary) available reserve" which, as a result, falls from Euro 11,899,957 to Euro 9,582,175.

Milan, 28 April 2017.

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)

Deloitte.

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
INTEK GROUP S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Intek Group S.p.A., which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Intek Group S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Other Matter

The financial statements of Intek Group S.p.A. for the year ended as of 31 December 2015 have been audited by other auditors that on 29 April 2016 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Intek Group S.p.A., with the financial statements of Intek Group S.p.A as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Intek Group S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
28 April 2017

This report has been translated into the English language solely for the convenience of international readers.

INTEK GROUP

Consolidated financial statements
at 31 December 2016

Intek Group – Consolidated financial statements at 31 December 2016

Statement of Financial Position – Assets

(in thousands of Euro)	*Ref. Note*	*31 Dec. 2016*	*of which related parties*	*31 Dec. 2015*	*of which related parties*
Investments in equity interests and fund units	*4.1*	445,404	*440,384*	455,275	
Non-current financial assets	*4.2*	48,782	*48,732*	13,345	*11,245*
Property, plant and equipment	*4.3*	11,519		11,987	
Investment property	*4.4*	3,566		3,852	
Goodwill	*4.5*	-		798	
Intangible assets	*4.6*	6		3	
Other non-current assets	*4.7*	470		486	
Deferred tax assets	*4.22*	5,866		7,040	
Total non-current assets		**515,613**		**492,786**	
Current financial assets	*4.8*	27,621	*20,522*	67,517	*39,564*
Trade receivables	*4.9*	14,448	*7,407*	10,959	*2,838*
Other current receivables and assets	*4.10*	10,599	*1,628*	11,442	*1,562*
Cash and cash equivalents	*4.11*	10,444		10,947	
Total current assets		**63,112**		**100,865**	
Non-current assets held for sale	*4.12*	1,784		1,784	
Total assets		**580,509**		**595,435**	

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

Disclosure on transactions with related parties is provided in note 4.22.

Intek Group – Consolidated financial statements at 31 December 2016

Statement of Financial Position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31 Dec. 2016*	*of which related parties*	*31 Dec. 2015*	*of which related parties*
Share capital		314,225		314,225	
Other reserves		41,073		37,186	
Treasury shares		(1,820)		(2,456)	
Retained earnings/(accumulated losses)		72,261		68,539	
Convertible loan		20,844		24,000	
Other comprehensive income reserve		(227)		(138)	
Profit (loss) for the year		(4,378)		6,169	
Equity attributable to owners of the Parent	***4.13***	**441,978**		**447,525**	
Non-controlling interests		-		-	
Total equity	***4.13***	**441,978**		**447,525**	
Employee benefits	*4.14*	411		437	
Deferred tax liabilities	*4.22*	3,080		3,564	
Non-current payables and liabilities	*4.15*	9,064		7,630	
Bonds	*4.16*	100,990		100,789	
Other non-current liabilities	*4.17*	2,321		1,788	
Provisions for risks and charges	*4.18*	4,532		4,964	
Total non-current liabilities		**120,398**		**119,172**	
Current financial payables and liabilities	*4.19*	12,915	*3,823*	24,295	*16,816*
Trade payables	*4.20*	1,027	*131*	1,271	*120*
Other current liabilities	*4.21*	4,191	*1,988*	3,172	*786*
Total current liabilities		**18,133**		**28,738**	
Total liabilities and equity		**580,509**		**595,435**	

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

Disclosure on transactions with related parties is provided in note 4.22.

Intek Group – Consolidated financial statements at 31 December 2016

Statement of Profit or Loss for the period and Other Comprehensive Income

(in thousands of Euro)	*Ref. Note*	*2016*	*of which related parties*	*2015*	*of which related parties*
Net income from investing activities	*5.1*	77		16,015	
Commissions on guarantees given	*5.2*	4,005	*3,029*	3,223	*3,223*
Other income	*5.3*	2,762	*69*	2,349	*144*
Personnel costs	*5.4*	(1,850)	*(19)*	(2,193)	*(19)*
Amortisation, depreciation and impairment	*5.5*	(1,542)		(883)	
Other operating costs	*5.6*	(5,061)	*(936)*	(6,258)	*(1,222)*
Operating profit/(loss)		**(1,609)**		**12,253**	
Financial income		2,375	*2,336*	1,101	*1,004*
Financial expense		(5,910)	*(141)*	(6,265)	*(544)*
Net financial expense	*5.7*	*(3,535)*		*(5,164)*	
Profit/(Loss) before taxes		**(5,144)**		**7,089**	
Current taxes	*5.8*	1,646		930	
Deferred taxes	*5.8*	(880)		(1,850)	
Total income taxes		**766**		**(920)**	
Net profit/(loss) for the period		**(4,378)**		**6,169**	
Other comprehensive income:					
Employee defined benefit plans		(9)		*19*	
Components that will not be reclassified to profit or loss		(9)		19	
Net change in cash flow hedge reserve		(109)		(183)	
Taxes on other comprehensive income		26		45	
Items that can be reclassified to profit or loss		(83)		(138)	
Other comprehensive income, net of tax effect:		(92)		(119)	
Total comprehensive income for the year		**(4,470)**		**6,050**	
Profit/(loss) for the year attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(4,378)		6,169	
Profit/(loss) for the year		(4,378)		6,169	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(4,470)		6,050	
Total comprehensive income for the year		(4,470)		6,050	

Earnings per share (in Euro)		
Basic earnings/(losses) per share	(0.0113)	0.0075
Diluted earnings/(losses) per share	(0.0113)	0.0075

The notes are an integral part of these consolidated financial statements. Disclosure on transactions with related parties is provided in note 4.22.

Statement of changes in equity at 31 December 2015

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Convertible loan*	*Consolidation reserves*	*Other comprehensive income reserve*	*Profit/(Loss) for the period*	*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 profit/(loss)	-	10,945	-	-	-	-	-	(10,945)	-	-	-
Allocation of subsidiaries' profit/(loss)	-		-	144,906	-	-	-	(144,906)	-	-	-
Purchase of treasury shares	-	-	(835)	-	-	-	-	-	(835)	-	(835)
Assignment of treasury savings shares	-	(2,017)	2,017	-	-	-	-	-	-	-	-
Deferred taxes on net equity items	-	(45)	-	-	-	-	-	-	(45)	-	(45)
Expiry of stock options	-	19	-	-	-	-	-	-	19	-	19
Other changes	-	33	-	(49)	-	-	14	-	(2)	-	(2)
Total comprehensive income items	-	-	-	-	-	-	(119)	-	(119)	-	(119)
Profit/(loss) for the year	-	-	-	-	-	-	-	6,169	6,169	-	6,169
Total comprehensive income	-	-	-	-	-	-	(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 7,719,940 ordinary shares and 11,801 savings shares, all without par value. The shares were subsequently totally reclassified as a reduction of the share capital.

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

Intek Group – Consolidated financial statements at 31 December 2016

Statement of changes in equity at 31 December 2016

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Profit /(loss) from previous years*	*Convertible loan*	*Other comprehensive income reserve*	*Profit/(Loss) for the period*	*Total equity attributable to owners of the Parent*	*Equity attributable to non-controlling interests*	*Total consolidated equity*
Equity at 31 December 2015	**314,225**	**37,186**	**(2,456)**	**68,539**	**24,000**	**(138)**	**6,169**	**447,525**	**-**	**447,525**
Allocation of Parent's profit/(loss)	-	4,040	-		-	-	(4,040)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(1,596)	-	3,722	-	3	(2,129)	-	-	-
Deferred taxes on net equity items	-	(44)	-	-	-	-	-	(44)	-	(44)
FEB merger	-	1,487	636	-	(3,156)	-	-	(1,033)	-	(1,033)
Total comprehensive income items	-	-	-	-	-	(92)	-	(92)	-	(92)
Profit/(loss) for the year	-	-	-	-	-	-	(4,378)	(4,378)	-	(4,378)
Total comprehensive income	-	-	-	-	-	(92)	(4,378)	(4,470)	-	(4,470)
Equity at 31 December 2016	**314,225**	**41,073**	**(1,820)**	**72,261**	**20,844**	**(227)**	**(4,378)**	**441,978**	**-**	**441,978**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-
Equity at 31 December 2016	**312,405**	**41,073**	**-**	**72,261**	**20,844**	**(227)**	**(4,378)**	**441,978**	**-**	**441,978**

At 31 December 2016, the Parent directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. The shares were subsequently totally reclassified as a reduction of the share capital.

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

Intek Group – Consolidated financial statements at 31 December 2016

Statement of Cash Flows - indirect method

(in thousands of Euro)		*2016*	*2015*
(A) Cash and cash equivalents at the beginning of the year		**10,947**	**48,940**
Profit/(Loss) before taxes		(5,144)	7,089
Amortisation and depreciation of intangible assets and property, plant and equipment		435	263
Impairment losses on current assets		-	170
Impairment/(Reversal of impairment) on non-current assets other than financial assets		1,107	620
Impairment/(Reversal of impairment) of investments and financial assets		192	(16,003)
Changes in pension provisions, post-employment benefits and stock options		(35)	4
Changes in provisions for risks and charges		(460)	(249)
(Increase)/Decrease in equity investments		(1,727)	(1,211)
(Increase)/Decrease in financial investments and financial assets		21,357	(26,108)
Increase/(Decrease) in current and non-current financial payables to related parties		(14,813)	(3,557)
(Increase)/Decrease in current and non-current financial receivables from related parties		(1,430)	(34,323)
(Increase)/Decrease in current receivables		(1,649)	3,939
Increase/(Decrease) in current payables		568	(3,099)
Taxes paid during the year		-	(1,307)
(B) Total Cash flows from/(used in) operating activities		**(1,599)**	**(73,772)**
(Increase) in non-current intangible assets and property, plant and equipment		(68)	(204)
Decrease in non-current intangible assets and property, plant and equipment		75	3
Investments in instrumental equity interests net of acquired cash		(46)	(9,968)
Increase/Decrease in other non-current assets/liabilities		-	848
(C) Cash flows from/(used in) investing activities		**(39)**	**(9,321)**
(Purchase)/Sale of treasury shares and similar instruments		-	(835)
Increase/(Decrease) in current and non-current financial payables		(493)	45,983
(Increase)/Decrease in current and non-current financial receivables		672	(48)
(D) Cash flows from/(used in) financing activities		**179**	**45,100**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(1,459)**	**(37,993)**
(F) Cash contributed by change in scope of consolidation		**956**	**-**
(G) Cash and cash equivalents at the end of the year	**(A) + (E)**	**10,444**	**10,947**

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

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.

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

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- the Company does not participate in any centralised treasury arrangements operated by the Parent or 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 2016 were approved by the Board of Directors on 26 April 2017 and will be published in accordance with legal requirements.

The mergers by incorporation into Intek Group of the subsidiaries KME Partecipazioni S.p.A. (already included in the scope of consolidation) and FEB – Ernesto Breda S.p.A. (recognised at fair value), the latter subsequently to the merger by incorporation of Bredafin Innovazione S.p.A. in FEB – Ernesto Breda S.p.A., entered into effect in 2016. The mergers became effective in terms of the accounting records from 1 January 2016.

Any economic relations with FEB that took place prior to the effective date of the mergers were cancelled. The effects of the merger on each asset and liability item were analysed in full.

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 consolidated financial statements at 31 December 2016 were therefore prepared in application of the accounting standards relative to investment entities, measuring at fair value the investments in non-instrumental subsidiaries which are therefore no longer fully consolidated.

2.2. Basis of accounting

The consolidated financial statements as at and for the year ended 31 December 2016 have been prepared pursuant to article 154-*ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted 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 consolidated financial statements at 31 December 2016 are composed of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in equity, as well as the Notes thereto.

The 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. There were no changes to the structure of the schedules compared to those at 31 December 2015.

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 (losses) for the reporting period and the other components of the consolidated comprehensive income statement in which the items of revenue and cost recognised during the reporting period are presented, including the financial expenses, the portion of the profit (loss) of associated companies in joint ventures accounted for using the equity method, the tax expenses, and a single amount relative to the total discontinued operating activities. "*Other comprehensive income*" comprises the items, which, following the specific provisions of the individual IFRS, are recognised separately from the profit (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.

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 period is adjusted by the effects of:

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

The cash flows from investments in equities and mutual funds, including financial receivables and payables to related parties, are classified under cash from operating activities. For changes in the consolidation area, the changes in the assets are considered on the basis of the first consolidation date.

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 consolidated financial statements as at 31 December 2015, except for the standards effective as from 1 January 2016.

The accounting standards, amendments and interpretations applied for the first time by the Group, which nevertheless had no significant effect on shareholders' equity or the profit/loss for the reporting period, are the following:

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" (published on 21 November 2013): regarding recognition of contributions made to defined benefit plans by employees or third parties.
- Amendments to IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations" (published on 6 May 2014): regarding recognition of interests in a joint operation the activity of which constitutes a business.
- Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture – "Bearer Plants" (published on 30 June 2014): bearer plants, that is fruit bearing plants that will require annual harvesting (for example grapevines, hazels), must be recognised pursuant to the requirements of IAS 16 (rather than IAS 41).
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets – "Clarification of acceptable methods of depreciation and amortisation" (published on 12 May 2014): according to this standard, a revenue-based depreciation/amortisation method is considered to be inappropriate, since revenues generated from an activity that includes the use of the amortised asset generally reflect factors other than just the consumption of economic benefits of the asset itself, a requirement that is necessary for amortisation.
- Amendments to IAS 1 – "Disclosure Initiative" (published on 18 December 2014): the objective of the amendments is to provide clarifications regarding the disclosure elements that can be considered as impediments to clear and comprehensible preparation of the financial statements.
- Amendment to IAS 27 – Equity Method in Separate Financial Statements (published on 12 August 2014): introduces the option of using, in the separate balance sheet of an entity, the shareholders' equity method to evaluate equity investments in subsidiaries, jointly controlled companies and associated companies.
- Amendments to IFRS 10, IFRS 12 and IAS 28 (published on 18 December 2014), regarding issues that emerged following the application of the consolidation exception granted to the investment entities.
- Finally, as part of the annual improvement process for the standards, on 12 December 2013 the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting conditions, IFRS 3 Business Combinations – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on 25 September 2014 the document "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) which partially integrate the pre-existing standards.

The Group has not yet applied the accounting standards which are listed below in paragraph 2.22 and which, although already issued by the IASB, will become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union.

Events and transactions affecting the Company are recognised and presented with respect to their economic substance and not only their legal form.

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

These financial statements are presented in Euro (€), the functional currency of the Parent Company and all the consolidated subsidiary companies. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. Basis of consolidation

These standards mainly affect equity 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 recognised in the financial statements at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognised as "goodwill and goodwill arising on consolidation" and in the income statement, if negative. The portion of equity and profit (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 intra-group 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. Intra-group 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 former 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 recognised among other comprehensive income relative to the former subsidiary are reclassified in the income statement of the year or transferred directly to retained earnings, if so provided by other IFRS.

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

Name	**Registered office**	**Currency**		**Activity**	**% ownership**	
			Share capital		**Direct**	**Indirect**
Intek Group S.p.A.	Italy	Euro	314,225,010	Holding company	Parent	
I2 Capital Partners Sgr S.p.A.	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%	

During the year, Intek Group incorporated KME Partecipazioni S.p.A., which was already 100% owned as at 31 December 2015.

2.4. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities made in order to obtain yields 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.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices.

The 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 market or transaction multiples 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 market multiples method requires the estimation of the current theoretical value considering the indications expressed by the market with regard to a sample of listed companies with a business profile that is similar to the company to be evaluated. The comparable transaction multiples method requires the recognition of a company at a value equal to the prices of recent transactions involving companies which are similar and operate in the same sector as the one to be evaluated.

The equity method is based on balance sheets, adjusting the assets and liabilities based on their fair value.

2.5. Investment property

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially recognised at fair value with any subsequent changes recognised 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 recognised 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 value recognised in the income statement."

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.

Subsequent, and at the end of each reporting period, the fair value of financial instruments listed on an active market is based on market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques, based on a series of methods and assumptions relating to market conditions on the date of the financial statements.

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 short-term 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 estimated future cash flows discounted at the asset's 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 recognised in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognised in equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

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

2.7. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including direct accessory costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is 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 starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised 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 calculated 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 is not transferred at the end of the lease. Finance leases are recognised as required by IAS 17, paragraphs 20-32.

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

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

Impairment losses

Property, plant and equipment are tested for impairment ("impairment test") 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 recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way.

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 recognised are not subsequently reversed.

(b) Other intangible assets with finite useful lives

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

Intangible assets, including directly attributable expenses, are initially recognised 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 without par value, fully subscribed and paid up at the year-end, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes, whilst the historical cost of owned treasury shares is reported on the face of the statement of financial position as a reduction of equity.

The costs for equity transactions are used directly as a reduction of reserves.

2.11. Receivables and payables

The receivables and payables are recognised at fair value which normally coincides with their nominal value, when the effect of the discounting is irrelevant.

2.12. Current and deferred taxes

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

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

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

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 for the copper sector.

Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined, 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 recognised to the extent that:

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

The amounts provided are, therefore, the best estimates of the expenses needed to settle the obligation or transfer it to third parties at the end of the year. If the present value of money is significant, the provision is equal to the present value of expenses deemed to be necessary 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' Meeting. Dividends to be received are recorded only when the Shareholders' right to receive payment has been established.

2.16. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, with realisation expected within the next twelve months. 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 income statement.

2.17. Revenue recognition

The revenues arising from the provision of services, including the guarantees granted, are recognised based on the progress of the service as at the balance sheet date.

The costs and other operating expenses are recognised as a component of the 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 balance sheet assets.

2.18. Financial income and expense

The financial income and expenses are recognised in the income statement based on their maturities.

2.19. Earnings/(losses) per share

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

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

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

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

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted, if any.

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

The calculation at 31 December 2016 of the basic earnings per share was done by taking the Group net profit/loss net of the share due to savings shares, attributable to holders of outstanding ordinary shares and the weighted average number of ordinary shares which was 337,923,315, taking account of any stock splits and/or reverse-stock splits and any increases/reduction in share capital pursuant to IAS 33 paragraph 64.

2.20. 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 recognised in profit or loss. At the year-end, the Directors were of the opinion that the estimates and assumptions used were the best indicators of the actual amounts given the information to hand. In addition, the Directors believed that the estimates and assumptions adopted did not imply any material adjustments to carrying amounts of assets and liabilities.

2.21. Accounting standards not yet applied

As at 31 December 2016, some new standards and interpretations, which have already been endorsed by the European Union, are not yet mandatory to apply and had not been adopted early by Intek Group as at 31 December 2016:

Some of the most important standards are detailed below:

- IFRS 15 –Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications which were published on 12 April 2016) which is set to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. This standard establishes a new model for the recognition of revenues, which will be applied to all the contracts stipulated with customers except for those that fall under the scope of application of other IAS/IFRS such as leases, insurance contracts and financial instruments. These amendments will be applicable from 1 January 2018. Early application is allowed.
- The final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document contains the results of the IASB project which aims to replace IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. As for the impairment method, the new standard requires that estimates of losses on receivables take place based on the expected losses model (rather than the incurred losses model used by IAS 39), using information that can be documented and is available without unreasonable expense or effort and which includes historical, current and perspective data; it introduces a new hedge accounting model (an increase in the types of transactions that can be eligible for hedge accounting, changing the procedure for recognition of forward contracts and options when included in a hedge accounting relation, amendments to the efficacy test). The new standard must be applied to financial statements beginning from 1 January 2018 or later.

As at 31 December 2016, the competent bodies of the European Union had not yet concluded the approval process required for adoption of the amendments and the standards described below:

- IFRS 16 – Leases (published on 13 January 2016), which is intended to replace IAS 17 – Leases, and IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new standard provides a new definition for leases and introduces a criterion based on control (right of use) of an asset to distinguish leases from service contracts, identifying as discriminating factors: the identification of the asset, the right to replace the asset, the right to obtain essentially all the economic benefits from the use of the asset and the right to manage the use of the asset underlying the contract.

  This standard establishes a single model for recognition and measurement of leases for the lessee which provides for recognition of the asset constituting the object of the lease, including operating leases, under assets with a financial payable as a contra-entry, providing furthermore the possibility of not recognising as leases contracts involving "low-value assets" and leases with a duration equal to or less than 12 months. Conversely, the standard does not include any significant amendments for lessors.

  The standard is applied from 1 January 2019 but early application is allowed only for Companies that opt for early application of IFRS 15 - Revenue from Contracts with Customers.

- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document aims to provide some clarifications on the recognition of deferred tax assets on losses which have not yet taken place under specific circumstances and on the estimate of taxable income for future years. The amendments are applicable from 1 January 2017, but early adoption is allowed.

- Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). The document aims to provide some clarifications to improve the disclosures on financial liabilities. In particular, the amendments require the provision of information that allows users of financial statements to understand the changes and the liabilities arising from loan transactions. These amendments will be applicable from 1 January 2017. Early application is allowed. Comparative information for previous years is not required.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which contains some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition of amendments to the terms and conditions of a share-based payment that amend the classification from cash-settled to equity-settled. These amendments will be applicable from 1 January 2018. Early application is allowed.

- The document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on 12 September 2016). For entities which are mainly active in the insurance area, the amendments aim to clarify concerns arising from application of the new standard IFRS 9 to the financial assets, before the IASB replaces the current standard IFRS 4 with the new standard currently being drafted, based on which financial liabilities are measured.

- The "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially integrate pre-existing standards.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The interpretation aims to provide guidelines for transactions carried out in a foreign currency when non-monetary advances or deposits are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document provides instructions on how an entity can determine the date of a transaction and consequently, the spot exchange rate to use when transactions in a foreign currency are carried out in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, but early application is allowed.

- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These amendments clarify the transfers of a property to or from investment property status. In particular, an entity must reclassify a property from or to investment properties only if there is evidence that a change in use of the property has taken place. This change must be due to a specific event that took place and should not be limited to a change in the intentions of an entity's management. These amendments will be applicable from 1 January 2018. Early application is allowed.
- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). The document was published to resolve the current conflict between IAS 28 and IFRS 10 regarding the measurement of the profit or the loss arising from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for an interest in the latter's share capital. Currently, the IASB has suspended application of this amendment.

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

3. ***Financial risk management***

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected to investments and disinvestments. The company's financial results depend mainly on these transactions and the dividends distributed by subsidiaries and, therefore, in the final analysis, 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 could produce cash flows that are insufficient for remuneration of the capital investment or in any case result in performances that could trail behind market performances.

Furthermore, the disinvestment process could require more time than was expected and/or be carried out on the basis of terms and conditions that are not fully satisfactory or at non-remunerative terms and conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidity of these equity investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, the possible consequent unavailability of an information flow that is at least equal, insofar as its quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the company and therefore assessing the completeness and accuracy of the information it provides. For equity investments that are non-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 difficulties in raising finance for operating activities as and when required. All inflows and outflows and cash balances are centrally monitored. The Group expects to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh or renewed bank 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 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, recognised under “investments in equity interests and fund units" is not actively managed using financial hedging instruments.

4. <u>*Notes on Consolidated financial statements at 31 December 2016*</u>

4.1. *Investments in equity interests and fund units*

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Investments in subsidiaries and associates	440,384	447,620	(12,366)	5,130
Investments in other companies	12	12	-	-
Other funds units	5,008	7,389	-	(2,381)
Other investments	-	254	-	(254)
Investments in equity interests and fund units	**445,404**	**455,275**	**(12,366)**	**2,495**

The breakdown of the item was as follows:

Name	*Registered office*	*Activity*	*Percentage of interest*	*31 Dec. 2015*	*Increases*	*Decreases*	*FEB merger*	*Other changes*	*Positive change in fair value*	*Negative change fair value*	*31 Dec. 2016*
KME AG	Osnabruck (D)	Industrial	100.00%	409,989	-	-		-	1,557	-	411,546
ErgyCapital S.p.A.	Florence	Alternative Energy	46.37%	6,040	-	-		-	-	(1,579)	4,461
Culti Milano S.p.A.	Milan	Furniture	100.00%	2,891	1,690	-		-	4,646	-	9,227
FEB - Ernesto Breda S.p.A.	Milan	Holding company	86.55%	18,500	-	-	(18,500)	-	-	-	-
Breda Energia S.p.A. in liquidazione	Milan	Holding company	100.00%	-	-	-	6,162	-	-	-	6,162
Rede Immobiliare Srl	Milan	Real Estate	48.98%	5,510	-	-		(3,148)	-	-	2,362
KME Beteiligungsgesellsch.mbH	Osnabruck (D)	Real Estate	100.00%	1,000	-	-		-	300	-	1,300
Tecno Servizi Srl	Varedo	Real Estate	100.00%	2,000	-	-		-	-	(300)	1,700
Progetto Ryan 3 in liquidazione	Milan	Furniture	100.00%	3,611	2,033	-		-	-	(4,541)	1,103
Fossati Uno Srl	Milan	Real Estate	35.00%	407	375	-		-	-	-	782
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	20	-	-		-	660	-	680
Il Post Srl	Milan	Publishing	18.80%	400	228	-		-	-	(83)	545
Progetto Ryan 2 Srl in liquidazione	Milan	In liquidation	100.00%	400	1	-		-	-	(102)	299
Mecchld Srl	Milan	Credit broker	20.00%	-	217	-		-	-	-	217
Malpaso Srl	Milan	Real Estate	100.00%	(3,148)	-	-		3,148	-	-	-
Total Subsidiaries and Associates				**447,620**	**4,544**	**-**	**(12,338)**	**-**	**7,163**	**(6,605)**	**440,384**
Other investments				**12**	-	-		-	-	-	12
Total investments				**447,632**	**4,544**	**-**	**(12,338)**	**-**	**7,163**	**(6,605)**	**440,396**
I2 Capital Partners Fund				7,344	266	(3,055)	-	-	437		4,992
Value Secondary Investment SICAR				45	-	(28)	-	-	-	(1)	16
Total Fund Units				**7,389**	**266**	**(3,083)**	**-**	**-**	**437**	**(1)**	**5,008**
Warrant ErgyCapital				254	-	-	-	-	-	(254)	-
Advances for equity investments				-	-	-	-	-	-	-	-
Total Other investments				**254**	**-**	**-**	**-**	**-**	**-**	**(254)**	**-**
Investments in equity interests and fund units				**455,275**	**4,810**	**(3,083)**	**(12,338)**	**-**	**7,600**	**(6,860)**	**445,404**

(*): the amount indicated refers solely to shares recognised under non-current assets;

(**): merged into Rede Immobiliaire;

The equity investment in Breda Energia S.p.A. in liquidazione flowed into the company from the merger by incorporation of FEB.

Malpaso Srl was merged by incorporation into its subsidiary Rede Immobiliare which therefore became fully owned by Intek Group.

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 after taxes) of 9.98% (including an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded).

The UDCF method was carried out on the basis of economic forecasts and changes in some balance sheet items contained in the 2017-2021 Plan ("the Plan"), prepared and approved by the KME AG Board of Directors.

Compared to last year, the Plan is characterized by an increase in the estimate of the future cash flows also in light of the turnaround and better conditions in the reference market. Following are the basic assumptions of the Plan:

- progressive recovery of the sales volumes of approximately 1.6% annually (the increase in demand of copper at the global level (CAGR 2017-2020) is 2.5%);
- increase in the added value (CAGR of approximately 3.6%) connected to the assumed stability of the price of copper. The stability of the price of copper is supported by the forecasts within the studies published by main financial operators;
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors during the last years and the increased focus on raising productivity;
- investments are essentially stable at 4.6% of net invested capital.

The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), amortisation equal to investments and using a long-term growth rate "g" equal to zero.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimization of the operations officially not approved.

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 31 December 2016 plus a 2.5% spread;
- Unlevered Beta: average of unlevered 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 2015 the cash flows were discounted using a WACC discount rate of 10.04% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 2.0%, a market risk premium of 5.5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2016 test was furthermore subjected to a sensitivity analysis using a WACC from 8.98% to 10.98% 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 (2021). In both scenarios, a discount rate representative of the average cost of capital (WACC) 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 values fluctuate between a minimum of Euro 484.4 million and a maximum of Euro 496.2 million and they were compared with other values resulting from other methods in particular using the market transaction multiples method with the EV/EBITDA multiple. The first was calculated based on historical data, using the 2016 EBITDA, as well as on perspective data, using 2017 EBITDA. The multiplier defined based on similar companies was respectively equal to 7.72x and 5.60x. As regards the transaction multiples method, we used the final EBITDA applying a multiplier of 9.32. Reductions of the multipliers by 10% were also considered for the control methods.

Given the difference between the results of the different methods, we considered it reasonable to average out the result of the UDCF method with the results of the other methods, assigning to the DCF a weight of 50% in the average weighting. The fair value estimated in this manner was equal to Euro 411.5 million.

The value of the equity investment in Culti Milano has also been determined based on the UDCF method applied to the plan that was approved by the company for the period from 2017 to 2020, which provides for a progressive increase of the EBITDA. In this case, the WACC was 10.77%. The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), using a long-term growth rate "g" equal to zero. In this case as well, the value obtained from the UDCF method was compared and averaged out with the results from other control methods.

The equity investment in ErgyCapital was assessed based on the stock market prices as at 31 December 2016.

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.

The stakes in "*Mutual investment funds*" relate almost entirely to the Intek Group holding (19.15%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR S.p.A. The value of the shares as at 31 December 2016 is equal to Euro 4,992 thousand, down by Euro 2,352 thousand compared to 31 December 2015. The reduction is due to the Euro 3,055 thousand of refunds received net of the payments made of Euro 266 thousand and the positive effects of the valuation for Euro 437 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.

Pursuant to Art. 264b HGB (German Commercial Code) the subsidiaries of KME AG: KME Germany Gmbh & Co. KG, Osnabrück, and pursuant to art. 264 para. 3 HGB (German Commercial Code) KME Brass Germany GmbH, Osnabrück, do not prepare a "*management report*" and do not publish their annual report.

In order to comply with a legal provision in Germany, it is stated that the subsidiaries of KME AG: KME Brass Germany GmbH, KME Germany GmbH & Co. KG and KME Grundstücksgesellschaft AG & Co. KG are included in the consolidated financial statements of Intek Group SpA, Milan as of December 31, 2016 (§ 264b No. 3a HGB and § 264 (3) No. 3 HGB).

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Receivables due from associates	46,731	11,245	-	35,486
Bank fixed deposits	-	2,000	-	(2,000)
Guarantee fees receivable	2,001	-	-	2,001
Other non-current financial assets	50	100	-	(50)
Non-current financial assets	**48,782**	**13,345**	**-**	**35,437**

The increase in the "*Receivables due from associates*" was mainly due to a loan of Euro 35,000 thousand to the subsidiary KME AG disbursed in 2016. The loan expires on 30 September 2018 and can be repaid early only in the event of a reduction by at least Euro 30.0 million of Tranche B of the syndicated loans granted by banks to KME AG. The annual rate applied is 3.75%, revisable quarterly based on KME AG's borrowing cost.

The breakdown of receivables to subsidiaries and associates is as follows:

▪ KME AG	35,000
▪ Tecno Servizi	8,521
▪ Fossati Uno	2,488
▪ Progetto Ryan 3	547
▪ NewCocot	175
	46,731

"*Guarantee fees receivable*" are the present value of guarantee fees receivable in more than 12 months, for guarantees issued by the Parent Company to banks on behalf of the non-consolidated subsidiaries to which the loans were extended. These receivables are matched by payables of an equal amount.

"*Bank deposits pledged as collateral*" as at 31 December 2015 referred 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 released in 2017. Therefore, they are classified among current financial assets.

4.3. Property, plant and equipment:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Buildings	11,072	11,423	-	(351)
Other assets	425	542	-	(117)
Payments on account and assets under development	22	22	-	-
Property, plant and equipment	**11,519**	**11,987**	**-**	**(468)**

In the item "*Buildings*" the highest amount is for the building located in Milan, Foro Buonaparte 44, which came to the Group in 2015 following its acquisition of control of Immobiliare Pictea and the consolidation thereof. The parent company Intek and other Group companies are headquartered in this building.

4.4. Investment property

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Investment property	**3,566**	**3,852**	**-**	**(286)**

The most significant item is of Euro 3,200 thousand and concerns the Ivrea building complex held by I2 Real Estate, which is currently not leased.

The breakdown of the movements during the year is the following:

(in thousands of Euro)	
Total at 31 December 2015	**3,852**
Increases in the period	23
Fair value adjustments	(309)
Total at 31 December 2016	**3,566**

Changes in the year may be summarised as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
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**
Gross amount at 31 December 2015	**13,506**	**-**	**2,319**	**22**	**15,847**
Purchases in the period	-	-	40	-	40
Disposals (cost)	-	-	(81)	-	(81)
Gross amount at 31 December 2016	**13,506**	**-**	**2,278**	**22**	**15,806**
Accumulated depreciation at 31 December 2015	**(2,083)**	**-**	**(1,777)**	**-**	**(3,860)**
Depreciation and impairment losses	(351)	-	(82)	-	(433)
Disposals (accumulated depreciation)	-	-	6	-	6
Accumulated depreciation at 31 December 2016	**(2,434)**	**-**	**(1,853)**	**-**	**(4,287)**
Gross amount	13,506	-	2,278	22	15,806
Accumulated depreciation	(2,434)	-	(1,853)	-	(4,287)
Total at 31 December 2016	**11,072**	**-**	**425**	**22**	**11,519**

Changes in the previous year were as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*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 period	-	-	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 (depreciation 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**

4.5. Goodwill

The zeroing of this item is connected to write-downs made for the realisation of the contingent assets the goodwill referred to.

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Goodwill	**-**	**798**	**-**	**(798)**

4.6. Intangible assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Other assets	6	3	-	3
Intangible assets	**6**	**3**	**-**	**3**

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

The changes in this year and in the previous were as follows:

(in thousands of Euro)	*Other assets*
Gross amount	8
Accumulated amortisation	(5)
Total at 31 December 2015	**3**
Gross amount at 31 December 2015	**8**
Purchases in the period	5
Gross amount at 31 December 2016	**13**
Accumulated amortisation at 31 December 2015	**(5)**
Change in scope of consolidation (provisions)	-
Amortisation and impairment losses	(2)
Accumulated amortisation at 31 December 2016	**(7)**
Gross amount	13
Accumulated amortisation	(7)
Total at 31 December 2016	**6**

(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 period	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**

4.7. Other non-current assets

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Changes due to the FEB merger*	*Other changes*
Guarantee deposits	470	472	-	(2)
Other receivables	-	14	-	(14)
Other non-current assets	**470**	**486**	**-**	**(16)**

The item "*Guarantee deposits*" refers mainly (Euro 466 thousand) to amounts paid in relation to the sale of the property in Paris, whose restrictions will expire at the end of 2017.

4.8. Current financial assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Loans to associates	16,631	37,304	-	(20,673)
Guarantee fees receivable	3,891	2,260	-	1,631
Investments in securities	4,775	26,902	-	(22,127)
Financial assets held for trading	324	379	57	(112)
Other current financial assets	2,000	672	-	1,328
Current financial assets	**27,621**	**67,517**	**57**	**(39,953)**

"*Loans to associates*" mainly include the positions to KME AG (Euro 9,000 thousand), ErgyCapital S.p.A. (Euro 4,481 thousand) and Rede Immobiliare (Euro 2,337 thousand).

"*Guarantee fees receivable*" are the present value of guarantee fees that are receivable within 12 months, for guarantees issued by the INTEK Group S.p.A. to banks on behalf of the Group companies to which loans were granted. 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.

"Investments in securities" refer to harmonised UCIs (investment funds), in which a portion of the Group's liquidity is invested. They were sold in 2017.

The item "*Other current financial assets*" includes, at 31 December 2015 and 31 December 2016, bank fixed deposits which have previously been classified among non-current financial assets. They are expected to be released within twelve months.

The item "*Financial assets held for trading*" includes, among other things, 4,458,440 ErgyCapital S.p.A. ordinary shares, which are measured at their official price at the year-end (Euro 0.0576 per share). Conversely, 4,993,900 ErgyCapital S.p.A. warrants were zeroed as they had expired. Their value as at 31 December 2015 was Euro 25 thousand.

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. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Due from customers – gross amount	*479*	*1,814*	-	(1,335)
Allowance for impairment	*(180)*	*(1,113)*	-	933
Due from customers – net amount	299	701	-	(402)
Due from associates	7,407	2,838	-	4,569
Receivables for factoring/leases	6,742	7,420	-	(678)
Trade receivables	**14,448**	**10,959**	**-**	**3,489**

"*Receivables due from associates*" at 31 December 2016 mainly refer to guarantees issued.

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Tax assets	4,216	4,650	666	(1,100)
Receivables from special situations	3,511	4,843	(1,321)	(11)
Prepayments and accrued income	93	44	-	49
Receivables due from associates	1,628	1,562	-	66
Other receivables	1,151	343	6	802
Other current receivables and assets	**10,599**	**11,442**	**(649)**	**(194)**

"*Tax assets*" include receivables for direct taxes of the Parent of Euro 1,400 thousand and receivables for VAT for Euro 2,809 thousand. The latter include advances of Euro 950 thousand, which were paid as part of the group VAT and Euro 586 thousand of VAT for which a refund has been requested from the FEB merger. During the year, receivables from refunds of direct taxes of Euro 1,800 thousand plus interest were collected.

"*Receivables due from special situations*" refer to insolvency proceedings in their entirety During the year, due to the merger with FEB, additional receivables of Euro 3,332 thousand relative to positions from the previous Finanziaria Ernesto Breda procedure were cancelled. Again, due to this merger, Intek became the owner of the receivables from the Isotta Fraschini procedure (Euro 2,000 thousand).

The "*Receivables due from associates*" mainly refer to positions that refer to the tax consolidation that will be settled by the end of the current year.

4.11. *Cash and cash equivalents*

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Bank and post office accounts	10,438	10,934	955	(1,451)
Cash on hand	6	13	1	(8)
Cash and cash equivalents	**10,444**	**10,947**	**956**	**(1,459)**

4.12. *Non-current assets held for sale*

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Properties held for sale	1,784	1,784	-	-
Non-current assets held for sale	**1,784**	**1,784**	**-**	**-**

4.13. *Equity attributable to owners of the Parent*

Please see the "*Statement of changes in equity*" for an analysis of changes in equity.

The Intek Group 2012-2017 Convertible Loan, amounting to Euro 24 million, has been recorded, on the basis of IAS 32, under equity since:

- the issuer is not obliged to make any payment in relation to the instrument. The authorisation for the Board of Directors to proceed with the cash repayment of the 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 in the regulation (no. 28,452,150 Intek Group ordinary shares) and is not subject to change.

During the year, following the merger with FEB, Intek Group became the owner of a portion of this Convertible Loan which was deducted from the shareholders' equity.

4.14. *Employee benefits*

The item refers to "*Post-employment benefit*s" and is broken down as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Change*
Executives	174	159	-	15
Clerical workers	196	244	-	(48)
IAS adjustment	41	34	-	7
Employee benefits	**411**	**437**	**-**	**(26)**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec. 2015*	*Increases*	*Decreases*	*Contributions to the fund*	*31 Dec. 2016*
Defined benefit plans	-	-	-	-	-
Post-employment benefits	437	92	(74)	(44)	411
Employee benefits	**437**	**92**	**(74)**	**(44)**	**411**

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

General Criteria	*31 Dec. 2016*	*31 Dec. 2015*
Discount rate	0.86-1.31%	1.39-2.03%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	8.7-10.8 years	7.2-11.7 years
General Criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also at 31 December 2016 for the actuarial valuation of the post-employment benefits (TFR).

4.15. Non-current payables and liabilities

The breakdown of the item was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Bank loans and borrowings	6,768	7,621	-	(853)
Financial guarantees issued liability	2,001	-	-	2,001
Due to lease companies	3	9	-	(6)
Due to others	292	-	-	292
Non-current payables and liabilities	**9,064**	**7,630**	**-**	**1,434**

The "*Bank loans and borrowings*" refer to loans secured by a mortgage taken out by subsidiary I2 Real Estate and 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 totalling Euro 992 thousand at 31 December 2016 pays interest at six month Euribor plus a spread of 0.9 points and it is secured by the Ivrea properties. The second loan totalling Euro 309 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. Regarding Immobiliare Pictea, this is a loan which matures in July 2030 the total amount of which as at 31 December 2016 was Euro 6,244 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%. The fair value of this instrument as at 31 December 2016 is included in "*Due to others*".

The breakdown of the current and non-current portion of the aforementioned loans from banks is the following:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
I2 Real Estate - Intesa SanPaolo	271	721	992
I2 Real Estate - Banco di Brescia	39	270	309
Immobiliare Pictea - Banco Popolare	467	5,777	6,244
Mortgage loans	**777**	**6,768**	**7,545**

In regard to the "*Guarantees issued liability*" item, reference should be made to note 4.2 "*Non-current financial assets*".

4.16. Bonds

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Intek Group 2015/2020 bonds	100,990	100,789	-	201
Bonds	**100,990**	**100,789**	**-**	**201**

The “*Intek Group 2015/2020 bonds*” have a duration from 2015 to 2020 and remuneration at a fixed rate of 5%. The par value of the issue is Euro 101,703,751.20 while the book value 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 change during the year is connected to the progressive recognition of the issue costs in profit and loss.

4.17. Other non-current liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Other changes*
Other liabilities	2,321	1,788	598	(65)
Other non-current liabilities	**2,321**	**1,788**	**598**	**(65)**

The balance of this item contains the following payables:

- Euro 1,471 thousand connected to the special situations operation, as part of compositions with creditors, of which Euro 598 thousand from the FEB merger.
- Euro 850 thousand from an investment agreement concerning the Fossati Uno initiative, which provides for payment to the counterparty of part of the proceeds arising from the initiative itself.

4.18. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2015*	*Increases*	*FEB merger*	*Releases/ uses*	*31 December 2016*
Provisions for *special situation* risks	3,155	-	28	(88)	3,095
Other provisions for risks and charges	1,809	-	-	(372)	1,437
Total	**4,964**	**-**	**28**	**(460)**	**4,532**

"*Provisions for special situation risks*" refer to the leasing and factoring which had previously been carried out by the Fime Group; they decreased due to use. The most significant provision, of Euro 2,597 thousand, was established in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello) for a dispute initiated by the bankruptcy receivers of a former leasing client, against whom an appeal was filed.

The main item (Euro 1,337 thousand) included in the “*Other provisions for risks and charges*” refers to allocation for coverage of the tax liabilities relative to a sold equity investment which the Group had guaranteed. In 2015, the Court of Cassation (Corte di Cassazione) issued a ruling. It had not accepted the appeals made against the Italian Revenue Agency for the previous ruling, and the developments are still awaited. Decreases for the period of Euro 185 thousand refer to uses for the closure of the dispute with some shareholders concerning the extraordinary transactions of 2012 and Euro 187 thousand concern the release of previously allocated amounts against liabilities which are now considered very unlikely to occur.

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

4.19. Current financial payables and liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Change*
Interest expense on bonds	4,389	4,376	-	13
Guarantees issued liability	3,891	2,260	-	1,631
Due to associates	3,823	16,816	(11,563)	(1,430)
Bank loans and borrowings	777	836	-	(59)
Due to lease companies	6	7	-	(1)
Other assets	29	-	-	29
Current financial payables and liabilities	**12,915**	**24,295**	**(11,563)**	**183**

The item "*Interest expense on bonds*" refers to the coupon expiring in February 2017, which was regularly paid.

In regard to the "*Guarantees issued liability"* item, please see the comments under the item *"Non-current financial assets.*"

"Due to associates" contains the balance of the corresponding current account, which are held at market rates with remuneration set at Euribor plus a spread, in existence with the subsidiary Breda Energia.

"*Bank loans and borrowings*" include amounts falling due within twelve months of the long-term loans as mentioned above.

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.

4.20. Trade payables

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Change*
Due to suppliers	896	1,151	138	(393)
Due from associates	131	120	16	(5)
Trade payables	**1,027**	**1,271**	**154**	**(398)**

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

The amounts due from associates are almost exclusively relative to the payables to the Parent Company Board of Statutory Auditors for the remuneration in 2016.

4.21. Other current liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Change*
Payables due to associates	1,153	-	24	1,129
Payables due to directors	835	786	-	49
Tax liabilities	207	304	27	(124)
Due to employees	202	213	-	(11)
Due to social security institutions	122	112	3	7
Other liabilities	1,672	1,757	-	(85)
Other current liabilities	**4,191**	**3,172**	**54**	**965**

"*Payables due to associates*" mainly refer to group VAT debt positions.

“*Payables due to directors*” refers to the Parent and includes Euro 746 thousand for the end of mandate indemnification which had previously existed for the Chairman and the relevant interest accrued.

“*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 as on the reference date; the allocation for the additional monthly amount payable in the month of December is also included.

"Other liabilities" include Euro 1.3 million of payables to former lease customers, from Fime, and they refer to amounts collected as advances from customers which were not offset with credit items.

4.22. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*	*Change due to the FEB merger*	*Change*
Deferred tax assets	5,866	7,040	-	(1,174)
Deferred tax liabilities	(3,080)	(3,564)	-	484
Deferred tax assets and liabilities	**2,786**	**3,476**	**-**	**(690)**

At the date of these consolidated financial statements, the Group recorded deferred tax assets on 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. 2016	*31 Dec. 2015*	*31 Dec. 2016*	*31 Dec. 2015*
Property, plant and equipment	2	-	(1,556)	(1,605)
Intangible assets	-	14	-	-
Investment property	215	162	-	-
Equity/Financial investments	-	-	(455)	(633)
Trade receivables	3,860	39	(1,063)	(1,320)
Other current receivables and assets	115	4,866	-	-
Non-current assets held for sale	167	166	-	-
Non-current financial liabilities	70	36	-	-
Other non-current liabilities	-	-	(6)	(6)
Provisions for risks and charges	690	878	-	-
Trade payables	-	44	-	-
Other current liabilities	92	103	-	-
Deferred tax assets on equity items	-	44	-	-
Deferred tax assets on tax losses carried forward	655	688	-	-
Total	**5,866**	**7,040**	**(3,080)**	**(3,564)**

4.23. Related party disclosures

The table below shows the relations involving payables, receivables, costs and revenue with related parties. The transactions which 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*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Breda Energia S.p.A. in administrative compulsory liquidation	-	-	-	-	(3,823)	-	-
Culti Milano S.p.A.	-	59	40	-	-	(2)	-
ErgyCapital S.p.A.	-	4,481	353	-	-	-	-
ErgycaOne S.p.A.	-	250	-	-	-	-	-
EM Moulds Srl	-	-	12	-	-	-	-
Immobiliare Agricola Limestre Srl	-	-	1	-	-	-	-
Intek Investimenti Srl	-	1	39	-	-	-	-
KME AG	35,000	9,000	6,157	-	-	-	-
KME Brass Italy Srl	-	-	16	-	-	-	-
Tréfimetaux Sas	-	-	12	-	-	-	-
KME Italy S.p.A.	-	-	40	-	-	-	-
KME Germany GmbH	-	-	32	-	-	-	(12)
KME Yorkshire Ltd	-	293	227	-	-	-	(7)
Valika	-	-	2	-	-	-	-
New Cocot Srl in liquidazione	175	-	15	-	-	-	-
Progetto Ryan 2 Srl in liquidazione	-	-	117	-	-	-	(200)
Progetto Ryan 3 Srl in liquidazione (formerly Culti Srl)	547	-	61	-	-	-	-
Quattroduedue S.p.A.	-	-	9	-	-	-	-
I2 Capital Principal	-	210	-	-	-	-	-
Rede Immobiliare	-	2,337	-	-	-	-	-
Società Agr. San Vito Biogas Srl	-	-	185	-	-	-	-
Tecno Servizi	8,521	-	-	-	-	-	-
Fossati Uno Srl	2,488	-	89	-	-	-	-
Receivables from guarantees	2,001	3,891	-	-	-	-	-
Receivables/Payables for group VAT	-	-	-	-	-	-	(934)
Receivables/Payables for tax consolidation	-	-	-	1,628	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(129)	(835)
	48,732	**20,522**	**7,407**	**1,628**	**(3,823)**	**(131)**	**(1,988)**
Total	**48,782**	**27,621**	**14,448**	**10,599**	**(12,915)**	**(1,027)**	**(4,191)**
Percentage	**99.90%**	**74.30%**	**51.27%**	**15.36%**	**29.60%**	**12.76%**	**47.43%**

(in thousands of Euro)	*Commissions on guarantees given*	*Other operating revenue*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia S.p.A. in liquidazione	6	15	-	-	(141)
Culti Milano Srl	-	-	(1)	46	-
EM Moulds Srl	20	-	-	-	-
Ergy Capital S.p.A.	11	-	-	120	-
Immobiliare Agricola Limestre Srl	1	-	-	-	-
Intek Investimenti Srl	-	39	-	1	-
KME (Shanghai) Trading Ltd	-	-	-	-	-
KME AG	2,847	-	-	1,780	-
KME Brass Italy	22	-	-	-	-
KME France SA	-	-	-	-	-
KME Germany & CO KG Gmbh	75	-	(14)	-	-
KME Italy Srl	47	-	(4)	-	-
KME Srl	-	-	(25)	-	-
KME Suisse S.A.	-	-	-	-	-
KME Yorkshire Ltd	-	-	-	9	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	11	-
Quattroduedue S.p.A.	-	15	-	50	-
Rede Immobiliare Srl	-	-	-	22	-
Fossati Uno Srl	-	-	-	89	-
Tecno Servizi Srl	-	-	-	208	-
Directors/Statutory Auditors	-	-	(892)	-	-
	3,029	**69**	**(936)**	**2,336**	**(141)**
Total	**4,005**	**2,145**	**(4,444)**	**2,375**	**(5,910)**
Percentage	**75.63%**	**3.22%**	**21.06%**	**98.36%**	**2.39%**

5. *Income Statement*

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any “atypical and/or unusual transactions” in 2016.

5.1. Net income from investing activities

The breakdown of the item was as follows:

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Value adjustments on equity investments and securities	(50)	-	(50)	n/a
Gains/losses from the sale of fund units and securities	(932)	-	(932)	n/a
Value adjustments on financial receivables from related companies	(11)	(1,377)	1,366	-99.20%
Measurement of investments at fair value	456	17,275	(16,819)	-97.36%
Measurement of fund units and securities at fair value	509	105	404	384.76%
Dividends	105	12	93	775.00%
Net income from investing activities	**77**	**16,015**	**(15,938)**	**-99.52%**

This item consists of the following amounts:

- losses from the sale of equity investments and securities for Euro 932 thousand of which Euro 279 thousand involve ErgyCapital warrants which matured in December 2016 and Euro 653 thousand from the sale of mutual fund units;
- measurement at fair value of equity investments including those which are positive for Euro 4,646 thousand on Culti Milano and Euro 1,577 thousand on KME AG and those which are negative by Euro 4,541 thousand on Progetto Ryan 3 and Euro 1,671 thousand on ErgyCapital.
- measurement at fair value of fund units of which Euro 437 thousand on the I2 Capital Partners fund.

For further details please see the comments under the corresponding asset items.

5.2. Commissions on guarantees given

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Commissions on guarantees given	4,005	3,223	782	24.26%
Commissions on guarantees given	**4,005**	**3,223**	**782**	**24.26%**

These refer to guarantees provided for subsidiaries and mainly refer to KME AG and its subsidiaries.

5.3. Other income

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Income from "special situations"	1,364	549	815	148.45%
Fund management fees	1,137	1,157	(20)	-1.73%
Lease income	71	315	(244)	-77.46%
Provision of services to related companies	69	70	(1)	-1.43%
Other	121	258	(137)	-53.10%
Other income	**2,762**	**2,349**	**413**	**17.58%**

"*Income from special situations*" refers to Intek's activities connected to undertaking of compositions with creditors.

"*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.

In 2016, the item "*Others*" included the capital gains from the sale of assets for Euro 58 thousand.

5.4. Personnel costs

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Wages and salaries	(1,209)	(1,473)	264	-17.92%
Social security charges	(374)	(410)	36	-8.78%
Stock option costs	-	(19)	19	-100.00%
Other personnel expense	(267)	(291)	24	-8.25%
Personnel costs	**(1,850)**	**(2,193)**	**343**	**-15.64%**

Following is the average number of employees, referring to consolidated companies only:

	31 Dec. 2016	*31 Dec. 2015*	*Change*	*% Change*
Executives	4	4	-	0.00%
	26.67%	23.53%		
Clerical workers	11	13	(2)	-15.38%
	73.33%	76.47%		
Total employees (average)	**15**	**17**	**(2)**	**-11.76%**
	100.00%	100.00%		

5.5. Amortisation, depreciation and impairment

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Depreciation	(433)	(261)	(172)	65.90%
Amortisation	(2)	(2)	-	0.00%
Reversal of impairment losses on investment property	(309)	(418)	109	-26.08%
Impairment losses	(798)	(202)	(596)	295.05%
Amortisation, depreciation and impairment	**(1,542)**	**(883)**	**(659)**	**74.63%**

The increase in the item "*Depreciation*" is attributable to the depreciation relative to the building located in Milan, Foro Buonaparte 44, which is owned by Immobiliare Pictea and was included in the scope of consolidation in the second half of 2015.

The impairment losses refer to the write-down of the goodwill which took place for the realisation of the relevant contingent assets.

5.6. Other operating costs

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,577)	(1,569)	(8)	0.51%
Professional services	(1,668)	(2,429)	761	-31.33%
Travel costs	(247)	(254)	7	-2.76%
Service fees to subsidiaries	1	-	1	n/a
Other personnel expenses	(74)	(65)	(9)	13.85%
Legal and company advertising	(184)	(270)	86	-31.85%
Electricity, heating, postal and telephone costs	(237)	(195)	(42)	21.54%
Insurance premiums	(116)	(107)	(9)	8.41%
Training and seminars	-	(3)	3	-100.00%
Real estate leases	(186)	(374)	188	-50.27%
Maintenance	(71)	(160)	89	-55.63%
Leases and rentals	(99)	(125)	26	-20.80%
Various tax charges	(380)	(228)	(152)	66.67%
Membership fees	(159)	(323)	164	-50.77%
Other net costs	(217)	(165)	(52)	31.52%
Donations	(33)	(42)	9	-21.43%
Bank fees	(16)	(24)	8	-33.33%
	(5,263)	*(6,333)*	*1,070*	-16.90%
Release of provisions	202	478	(276)	-57.74%
Provision for risks	-	(233)	233	-100.00%
Losses on receivables	-	(170)	170	-100.00%
Other operating costs	**(5,061)**	**(6,258)**	**1,197**	**-19.13%**

There was a general curbing of costs, though influenced by the FEB costs until the date of the merger. In 2015, "*Professional services*" were influenced by the swaps of debt securities.

For the comment on the item "*Release of provisions"* please see the note under the item *"Provisions for risks and charges"*.

5.7. Net financial expense

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Interest income from related companies	*2,336*	*1,004*	1,332	132.67%
Other financial income and interests	*39*	*97*	(58)	-59.79%
Total financial income	2,375	1,101	1,274	115.71%
Interest paid to related companies	*(141)*	*(544)*	403	-74.08%
Loan interest expense	*(188)*	*(116)*	(72)	62.07%
Interest expense on securities issued	*(5,299)*	*(5,378)*	79	-1.47%
Other interests paid	*(27)*	*(49)*	22	-44.90%
Other financial expense	*(255)*	*(178)*	(77)	43.26%
Total financial expense	(5,910)	(6,265)	355	-5.67%
Net financial expense	**(3,535)**	**(5,164)**	**1,629**	**-31.55%**

The interest income and expenses from related companies refers 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.

The increase in the "*Interest income from related companies*" is connected to the increase of the existing loans.

"*Interest expense on securities issued*" remained constant despite the greater exposure on account of the decrease in the rate (from 8% to 5%), obtained with the new issue of 2015.

"*Loan interest expense*" increased due to the presence of Immobiliare Pictea in the scope of consolidation.

5.8. Current and deferred taxes

(in thousands of Euro)	*2016*	*2015*	*Change*	*% Change*
Current taxes	1,646	930	716	76.99%
Deferred taxes	(880)	(1,850)	970	-52.43%
Current and deferred taxes	**766**	**(920)**	**1,686**	**-183.26%**

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

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2016*
Profit/(Loss) before taxes	(5,144)
Theoretical tax charge (tax rate used 27.5%)	**1,415**
Reconciliation:	
- Non-deductible (expenses) and non-taxable income	634
- Impairment losses/(reversal of impairment losses) on investments and securities	(767)
- Current taxes for previous years	(512)
- Other	(4)
Taxes recognised in profit or loss	**766**

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

6.1. *Financial instruments by category*

	31 Dec. 2016	*31 Dec. 2015*	*Change*
Financial assets at fair value through profit or loss	456,445	484,916	(28,471)
Held-to-maturity investments	-	-	-
Loans and receivables	97,107	80,405	16,702
Available-for-sale financial assets	-	-	-
Financial assets	**553,552**	**565,321**	**(11,769)**
Financial liabilities at fair value through profit or loss	(6,184)	(2,411)	(3,773)
Financial liabilities at amortised cost	(124,117)	(136,230)	12,113
Financial liabilities	**(130,301)**	**(138,641)**	**8,340**

6.2. *Financial instruments by financial statement item*

Financial instruments and reconciliation with financial statement items at 31 December 2016:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	445,404	-	445,404	-
Non-current financial assets	48,782	46,731	2,051	-
Investments		-	-	-
Other non-current assets	470	470	-	-
Trade receivables	14,448	14,448	-	-
Other current receivables and assets	10,599	6,383	-	4,216
Current financial assets	27,621	18,631	8,990	-
Cash and cash equivalents	10,444	10,444	-	-
Total financial assets	**557,768**	**97,107**	**456,445**	**4,216**
Non-current payables and liabilities	(9,064)	(6,771)	(2,293)	-
Bonds	(100,990)	(100,990)		
Other non-current liabilities	(2,321)	(2,321)	-	-
Current financial payables and liabilities	(12,915)	(9,024)	(3,891)	-
Trade payables	(1,027)	(1,027)	-	-
Other current liabilities	(4,191)	(3,984)	-	(207)
Total financial liabilities	**(130,508)**	**(124,117)**	**(6,184)**	**(207)**

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	445,404	4,461	-	440,943
Non-current financial assets	2,051	-	-	2,051
Current financial assets	8,990	5,099	-	3,891
Total financial assets	**456,445**	**9,560**	**-**	**446,885**
Non-current payables and liabilities	(2,293)	-	(292)	(2,001)
Current financial payables and liabilities	(3,891)	-	-	(3,891)
Total financial liabilities	**(6,184)**	**-**	**(292)**	**(5,892)**

The share investments in ErgyCapital and cash investments in UCIs fall under Level 1 financial instruments.

6.3. Notional amount of financial instruments and derivatives

There are no derivative financial instruments recognised as at 31 December 2016, except for the interest rate hedges on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 6,572 thousand.

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 at the reporting date was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 31 Dec. 2016*	*Net value*
Not yet due	11	-	11
Up to 60 days past due	73	-	73
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	395	(180)	215
Trade receivables	**479**	**(180)**	**299**

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

Balance at 31 December 2015	**1,043**
Impairment losses of the year	70
Uses	(933)
Balance at 31 December 2016	**180**

6.5. Currency risk

At 31 December 2016, there were no assets or liabilities in a foreign currency.

6.6. Interest rate risk

The Group's interest rate structure of interest-bearing financial instruments at 31 December 2016 was as follows:

(in thousands of Euro)	*31 Dec. 2016*	*31 Dec. 2015*
Financial assets	2,590	2,590
Financial liabilities	(100,990)	(105,165)
Fixed-rate instruments	**(98,400)**	**(102,575)**
Financial assets	60,822	47,959
Financial liabilities	(4,903)	(25,289)
Floating rate instruments	**55,919**	**22,670**

A 50-basis-point increase (decrease) in interest rate at the year-end would produce an increase (decrease) in equity and profit of approximately Euro 200 thousand.

6.7. Liquidity risk

Liquidity risk can arise from the inability to raise financing for operating activities as and when required. The holding company coordinates the cash inflows and outflows for the companies.

7. 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:

- Euro 475 million for a loan obtained from a pool of banks, expiring in July 2018;
- Euro 355 million regarding the agreement concluded with GE Commercial Finance for *factoring without recourse* of transactions expiring in July 2018;
- Euro 29 million for loan taken out with Unicredit Mediocredito Centrale (UMCC), the residual amount of which is Euro 9.5 million. In this case as well, Intek Group remained on only as the guarantor of an amount equal to Euro 22 million.

The first two loans were renewed during 2016.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 25 million, and guarantees for tax credits of approximately Euro 1.9 million expiring insofar as Euro 1.2 million in 2017, Euro 0.4 million in 2018 and Euro 0.3 million in 2019.

Following the merger by incorporation with KME Partecipazioni S.p.A., Intek Group became the owner of commitments for the guarantees issued as part of the sale of the Cobra AT shares to Vodafone. They fall due in August 2017.

For Tecno Servizi Srl 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).

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 1.9 million.

Annexes to the notes

Reconciliation of the result of the Parent Intek Group S.p.A. and the consolidated result for the year ended 31 December 2016

(in thousands of Euro)	*31 Dec. 2016*
Result for the period of Intek Group S.p.A. separate financial statements	**(4,441)**
Profit/(loss) of subsidiaries (1)	(467)
Reversal of impairment losses on investments	650
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Other	6
Loss attributable to owners of the Parent	**(4,378)**
Profit/(loss) of subsidiaries for 2016	
(1) I2 Capital Partners SGR	4
I2 Real Estate	(615)
Immobiliare Pictea	144
	(467)

Reconciliation between the equity of Intek Group S.p.A. and the Consolidated equity at 31 December 2016:

(in thousands of Euro)	*31 Dec. 2016*
Parent company's Equity including result of the year	**442,191**
Excess cost allocation on property (net of tax effect)	4,024
Difference between the consolidated companies' equity and their carrying amounts	(4,237)
Group's consolidated Equity including result of the year	**441,978**

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS PARAGRAPH 5 OF LEG. 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 no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, the Manager in charge of Financial Reporting of INTEK Group SpA, hereby 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 2016, 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 accounting 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. *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 27, as introduced by EU Regulation no. 1174/2013) was applied in 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 and the situation of the issuer and its consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 26 April 2017

The Chairman	The Manager in charge of Financial Reporting
_________________________	_________________________
Vincenzo Manes	*Giuseppe Mazza*

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on Consolidated financial statements as at 31 December 2016

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 2016.

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 2016, and shall be considered as referred to in this report.

ACCOUNTING STANDARDS - EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

As already fully indicated in the report to the financial statements, qualification as an investment entity as required by paragraph 27 of IFRS 10 resulted in a significant change (from two years now) 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 and measurement terms, have the least impact on the consolidated financial statements.

Conversely, the investments in investees which are not instrumental are measured at fair value.

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 EY SpA.

This indicated the extent to which the differences in the values of the separate and consolidated financial statements are marginal.

More particularly, the scope of consolidation of the consolidated financial statements is the following (the difference compared to the scope of the previous year is connected to the merger of KME Partecipazioni S.p.A. into Intek Group S.p.A. concluded in 2016):

List of companies consolidated with the line-by-line method:						
Name	**Registered office**	**Currency**	**Share capital**	**Activity**	**% ownership**	
					Direct	**Indirect**
Intek Group S.p.A.	Italy	Euro	314,225,010	Holding company	Parent	
I2 Capital Partners SGR S.p.A.	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 scope of consolidation was further modified following the merger by incorporation of the subsidiary FEB -Ernesto Breda S.p.A. which was previously measured at fair value.

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:

Reconciliation of the result of the Parent Intek Group S.p.A. and the consolidated result for the year ended 31 December 2016

(in thousands of Euro)	*31 Dec. 2016*
Result for the period of Intek Group S.p.A. separate financial statements	**(4,441)**
Result for the period of subsidiaries (1)	(467)
Reversal of impairment losses on investments	650
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Other	6
Loss attributable to owners of the Parent	**(4,378)**
Profit/(loss) of subsidiaries for 2016	
(1) I2 Capital Partners SGR	4
I2 Real Estate	(615)
Immobiliare Pictea	144
TOTAL	(467)

Reconciliation between the equity of Intek Group S.p.A. and the consolidated equity at 31 December 2016:

(in thousands of Euro)	*31 Dec. 2016*
Parent company's Equity including result of the year	**442,191**
Excess cost allocation on property (net of tax effect)	4,024
Difference between the consolidated companies' equity and their carrying amounts	(4,237)
Group's consolidated Equity including result of the year	**441,978**

The above clearly and exhaustively shows the marginal difference between the data of the income statement and the balance sheet of the separate and consolidated financial statements.

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 26 April 2017, 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 2016, 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 intra-group transactions in 2016, 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 Deloitte & Touche S.p.A., with which the Board of Statutory Auditors had the necessary contact, issued on 28 April 2017 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 enclosed documents adequately reflect the Company's financial position and results of operations as at 31 December 2016.

The consolidated financial statements and enclosed documents have only been submitted to the Shareholders' Meeting for information purposes and do not require approval.

Milan, 28 April 2017

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)

Deloitte.

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 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 Intek Group S.p.A. and subsidiaries (the "Intek Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Intek Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Other Matter

The consolidated financial statements of Intek Group for the year ended as of 31 December 2015 have been audited by other auditors that on 29 April 2016 expressed an unmodified opinion on those consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Intek Group S.p.A., with the consolidated financial statements of Intek Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of Intek Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
28 April 2017

This report has been translated into the English language solely for the convenience of international readers.