INTEK GROUP

INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2016
(1st HALF 2016)

pursuant to article 154-ter of the TUF

Board of Directors
of 13 September 2016

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

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Company Bodies

Board of Directors *(appointed by the Shareholders' Meeting on 19 June 2015)*

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 Internal Audit Committee (*Chairman: Giuseppe Lignana*)
D. Appointed Director by the Shareholders' Meeting on 31 May 2016 to replace the resigning Salvatore Bragantini.

Board of Statutory Auditors *(appointed by the Shareholders' Meeting on 19 June 2015)*

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

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors *(appointed by the Shareholders' Meeting on 31 May 2016)*	Deloitte & Touche SpA
Common Representative of the Saving Shareholders	Simonetta Pastorino
Common Representative of the "Intek Group SpA 2015-2020 Bonds" Holders	Rossano Bortolotti
Common Representative of the "Intek Group SpA 2012-2017 Convertendo" Bondholders"	Elena Pagliarini

Interim Directors' Report

Dear Shareholders,

During the first half of 2016, Intek Group SpA (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 SpA is an investment holding company whose primary objective is the dynamic management of its investments and assets, with increased focus on their potential to generate cash and appreciate over time.

Intek Group invests with a medium- to long-term horizon, with the objective of creating and maintaining a flexible portfolio of assets. Its investment cycles are shorter than in the past, allowing for faster cash generation. As a consequence, 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 realization time not in line with the Group's operating policies.

In line with this strategic redefinition, the management of the Company believes that, in evaluating the Intek Group'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.

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

This Interim Directors' Report is presented, consistent with the separate and consolidated financial statements as at 31 December 2015 and the Financial Report as at 30 June 2015, by adopting the accounting standards envisaged for investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) introduced by the EU Regulation no. 1174/2013.

It is hereby reiterated that, starting from the 2014 financial statements, as a result of the use of the accounting standards relating to investment entities, Intek does not consolidate subsidiaries that do not provide investment-related services or activities; the investments of the Company in such subsidiaries are measured at fair value through profit or loss.

Equity investments held exclusively for trade, such as KME AG, the KME Group holding company that operates in the "copper" sector and is the main investment of the Company, and FEB - Ernesto Breda SpA (hereinafter also referred to as "FEB"), which is currently in the process of becoming incorporated into Intek – a process expected to be completed by the end of the year – are also excluded from consolidation.

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

The first half of 2016 was characterised by:

(i) **reorganization of the copper sector,** which produced significant results in terms of operating profit. In the first half of 2016, EBITDA totalled euro 27.8 million, up 33.6% (28.1% on a like-for-like basis) compared to the same period of 2015.

(a) in July, loan contracts with the pool of banks led by Deutsche bank were renewed, as were the factoring contracts existing with Mediocredito Italiano SpA and Factofrance (formerly GE Factofrance). This provided significant confirmation of the support that the Group – now completing the period of transition resulting from its restructuring – enjoys from banks;

(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 Niederbrucke, 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, 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. These actions will structurally lower KME Group’s break even point, improving its competitiveness in the market.

For further details regarding the activities of the KME Group, please see the “‘*Copper’ sector”* section of this Report.

(ii) **simplification and reorganization of the Group’s corporate structure -** optimization of cash flows, aimed at containing operating costs through the elimination of duplicate functions. To be carried out 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 wholly-owned KME Partecipazioni SpA into Intek took place.This merger made it possible to reduce costs and recognise the equity investments held by KME Partecipazioni directly under Intek Group;

(b) at the beginning of September 2016, the previously mentioned merger of FEB into Intek Group was resolved upon by the respective Extraordinary Shareholders’ Meetings. The effectiveness of the merger is subject to receiving, prior to the date that the merger deed is stipulated, withdrawal declarations from FEB shareholders for an overall expense not exceeding euro 0.800 million. This condition, which is in the exclusive interest of Intek Group, can be waived by the latter. FEB shareholders have until the end of September (date to be confirmed following the recording of the resolutions of the Extraordinary Shareholders’ Meetings held on 8 September 2016) to request the withdrawal. If the threshold set by this condition is not met or Intek waives it, the merger will probably take place by the end of December 2016.

(iii) regarding the activities carried out by the subsidiary **ErgyCapital**, advanced negotiations are underway for corporate and industrial integration with Green Utility, another operator in the renewable energy sector. Green Utility operates in the photovoltaic sector and owns (either wholly or partially) a portfolio of installations of approximately 30 MWp; it also manages an additional 15 MWp portfolio owned by two investment funds. These negotiations have led to the execution of an industrial integration agreement which provides for the incorporation of Green Utility into ErgyCapital following an increase in ErgyCapital share capital to be offered on a pre-emptive basis to shareholders, up to a maximum amount of euro 8.2 million.

Upon completion of the transaction, the current controlling shareholder of Green Utility will be the controlling shareholder of the combined entity, while Intek Group will be a minority shareholder with governance rights. Intek Group and the Green Utility shareholders (or, depending on the structure of the transaction, Green Utility itself) will be bound by agreements aimed at stabilizing the ownership structures (i.e., lock-up agreements). The conclusion of the agreement is subject to the positive outcome of the due diligence, which is currently underway, provided that following the so-called whitewash procedure, Green Utility does not become obligated to initiate a public offering of ErgyCapital shares.

(iv) The operations of **I2 Capital Partners Fund,** of which Intek Group holds 19.15%, are focused on the progressive realization of investments, and enabled, in the first few months of 2016, a redemption of euro 12.6 millions (of which euro 2.4 million belonging to Intek Group) connected to Benten Srl, Isno 3, and Safim Factor investments. Further redemptions are foreseen during 2016.

Summary of the Group's corporate structure

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

The **investment sectors** of Intek Group are the following: the traditional “**copper**” sector, which includes the production and marketing of copper and copper-alloy semi-finished products by the German subsidiary KME AG, and the “**financial and real estate assets**” sector, which includes the private equity business, mainly carried out through the closed-end I2 Capital Partners investment fund (the “**Fund**”), as well as the management of receivables (tax credits, non-performing loans and receivables arising from insolvency proceedings) and real estate assets. The equity investment in ErgyCapital is included under financial and real estate assets.

With regard to “**financial and real estate assets**”, in the half year under review programmes were pursued aimed at accelerating progressive realization.

With regard to private equity investments, the current programmes aim to appreciate the assets of I2 Capital Partners Fund, which ended the investment period at the end of July 2012 and will expire in July 2017 pursuant to the regulation, though it can be extended for one or more years.

The Parent Company Intek Group

In the past, Intek Group invested with a medium- to long-term horizon, combining its entrepreneurial spirit with a solid financial structure. Its current strategy aims at a flexible portfolio, with shorter investment cycles and faster cash generation.

In line with this strategic redefinition, please note that, as illustrated above, in evaluating the Intek Group'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.

This assessment is at the heart of the choices made by management in allocating financial resources, rewarding only those sectors which appear high-performing and promising while exiting segments, whether industrial or financial, with limited potential for appreciation or a realization time not in line with the Group's current operating policies. To maximise the value of the assets managed, the Company carefully defines business strategies and controls its subsidiaries, looks for agreements and/or partnership opportunities, increases the value of specific assets, and manages extraordinary operations involving the subsidiaries.

The key balance sheet figures of Intek Group as at 30 June 2016, compared with 31 December 2015, can be summarised as follows:

Condensed Separate Statement of Financial Position				
(in thousands of euro)	*30 Jun. 2016*		*31 Dec. 2015*	
Copper	**451,341**	**87.00%**	**413,317**	**85.20%**
Financial and real estate assets				
Private Equity	*6,719*		*8,580*	
Non-operating assets	*8,791*		*11,058*	
Real Estate/Others	*24,229*		*23,099*	
ErgyCapital/Other services	*18,988*		*21,549*	
Total Financial and real estate assets	**58,727**	**11.32%**	**64,286**	**13.25%**
Other assets/liabilities	**8,717**	**1.68%**	**7,493**	**1.54%**
Net investments	**518,785**	**100.00%**	**485,096**	**100.00%**
Financial instruments with characteristics of equity and outstanding bonds (*)	*(102,699)*		*(105,164)*	
Net cash from third parties (**)	*16,249*		*39,552*	
Cash investments in KME	*10,000*		*29,700*	
Net financial debt of the holding company to third parties	**(76,450)**	**14.74%**	**(35,912)**	**7.40%**
Total equity	**442,335**	**85.26%**	**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 518.8 million as at 30 June 2016 (euro 485.1 million at the end of 2015), of which 87.0% 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 with the medium-term loan granted to KME AG (euro 35 million) and to the companies of the "*Real Estate/Others*" sector (euro 1.1 million).

The decrease in the "*Private Equity*" sector is connected to the distributions received from the I2 Capital Partners Fund, while "*Non-operating assets*" decreased due to the profit taking of the positions (in particular Isno 2) and the increase in the current accounts belonging to the Parent Company.

The item *"ErgyCapital/Other services"* was adversely affected by the decrease in the share price of ErgyCapital.

Equity

The equity of the holding company is equal to euro 442.3 million (euro 449.2 million as at 31 December 2015); the change is due to the results for the period (negative by euro 5.3 million) and the accounting effect of the KME Partecipazioni merger (euro 1.5 million).

The results for the period were adversely affected by "*Changes in fair value and other income/expenses from investment management*" (euro 3.0 million mostly due to the performance of ErgyCapital's prices in the stock exchange) and "*Net financial expense*" (euro 2.0 million).

The earnings per share amounted to euro 1.14 compared to euro 1.16 at the end of December 2015.

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

As at 30 June 2016, Intek Group held 7,719,940 ordinary treasury shares (2.23% of the category capital) and 11,801 own savings shares (equal to 0.024% of the category capital).

The merger by incorporation of FEB into Intek Group provides for the incorporating entity to assign to the shareholders of FEB approximately 2.7 million of ordinary Intek shares to be used in exchange for FEB shares, at 132 FEB shares for each ordinary Intek share.

Financing activities

Net financial debt of the holding company to third parties (including both Intek Group and KME Partecipazioni and excluding intercompany loans) amounted to euro 35.9 million as at 31 December 2015. As at 30 June 2016, this indicator was equal to euro 76.4 million. The increase of the debt is connected to the financial support given to the various investments.

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

At the end of June 2016, Intek had cash and cash equivalents of euro 14.2 million, a portion of which was employed in shares of UCIs (euro 7.2 million).

The Intek Group's reclassified net financial position as at 30 June 2016, compared with 31 December 2015, is broken down as follows:

Reclassified Net Financial Position			
(in thousands of euro)		*30 Jun. 2016*	*31 Dec. 2015*
Cash and cash equivalents		(7,042)	(9,147)
Other financial assets		(7,219)	(27,574)
Current financial receivables from subsidiaries		(25,855)	(43,750)
(A) Net financial assets	**(A)**	**(40,116)**	**(80,471)**
Short-term financial payables		1,831	4,381
Financial payables to subsidiaries		26,065	23,762
(B) Short-term financial payables	**(B)**	**27,896**	**28,143**
(C) Short-term net financial position	**(A) + (B)**	**(12,220)**	**(52,328)**
Long-term financial payables		6	9
Intek Group 2015-2020 Bonds		100,874	100,789
(D) Medium- to long-term financial payables		**100,880**	**100,798**
(E) Net financial position	**(C) + (D)**	**88,660**	**48,470**
Non-current financial receivables from subsidiaries		(36,127)	(711)
Non-current financial receivables from banks		(2,000)	(2,000)
(F) Non-current financial receivables		**(38,127)**	**(2,711)**
(G) Reclassified net financial position	**(E) + (F)**	**50,533**	**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 cash flows for the period can be summarized as follows:

Statement of Cash Flows - indirect method			
(in thousands of euro)		*1st half 2016*	*1st half 2015*
(A) Cash and cash equivalents at the beginning of the period		**7,785**	**736**
Profit/(Loss) before taxes		(5,570)	(4,331)
Amortisation and depreciation of intangible assets and property, plant and equipment		31	33
Impairment of non-current, non-financial assets		798	202
Impairment /(Reversal of impairment) of current and non-current financial assets		3,069	16,669
Changes in pension provisions, post-employment benefits and stock options		(9)	-
Changes in provisions for risks and charges		(303)	(266)
(Increase)/Decrease in equity investments		1,296	-
(Increase)/Decrease in other financial investments		18,975	(261)
Increase/(Decrease) in financial payables to related parties		2,303	1,238
(Increase)/Decrease in financial receivables from related parties		(17,520)	(1,481)
Dividends received		-	(16,425)
(Increase)/Decrease in current receivables		(3,192)	(1,319)
Increase/(Decrease) in current payables		(227)	(885)
Taxes paid during the year		-	(139)
(B) Total cash flows from/(used in) operating activities		**(349)**	**(6,965)**
(Increase) in non-current intangible assets and property, plant and equipment		(34)	(4)
Decrease in non-current intangible assets and property, plant and equipment		72	-
Increase/decrease in other non-current assets/liabilities		2	137
(C) Cash flows from/(used in) investing activities		**40**	**133**
(Purchase)/Sale of treasury shares		-	(277)
Bond issue and early redemption		-	39,796
Payment of interests on bonds		(5,085)	(2,820)
Increase/(Decrease) in current and non-current financial payables		2,617	2,657
(Increase)/Decrease in current and non-current financial receivables		672	-
(D) Cash flows from/(used in) financing activities		**(1,796)**	**39,356**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(2,105)**	**32,524**
(F) Cash and cash equivalents contributed by the merged company		**1,362**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**7,042**	**33,260**

The **Income Statement** below was reclassified by indicating in a special section the results of the investments, including their operating costs.

Reclassified Income Statement		
(in thousands of euro)	*1st half 2016*	*1st half 2015*
Changes in fair value and other income/expenses from investment management	(2,938)	(462)
Investment management costs	(85)	(228)
Gross profit/(loss) from investments	**(3,023)**	**(690)**
Commissions receivable on guarantees given (a)	2,028	2,098
Net management costs (b)	(2,236)	(2,328)
Overheads (a) - (b)	*(208)*	*(230)*
Operating profit/(loss)	**(3,231)**	**(920)**
Net financial expense	**(1,997)**	**(2,865)**
Profit/(Loss) before gains/(losses) on investments and non-recurring items	**(5,228)**	**(3,785)**
Non-recurring income/(expenses)	(342)	(550)
Profit/(Loss) before taxes	**(5,570)**	**(4,335)**
Taxes for the period	252	(95)
Net profit/(loss) for the period	**(5,318)**	**(4,430)**

As already indicated, the item "*Changes in fair value and other income/expenses from investment management"* was adversely affected by the ErgyCapital share price. Due to the lack of objective elements or significant effects produced after updating the estimates, unlisted investments have mainly been kept at the 31 December 2015 values.

"*Net management costs*" confirm the downward trend.

"*Net financial expense"* dropped due to the higher interest income from loans granted to related parties.

The item "*Non-recurring income/(expenses)"* includes euro 0.1 million for costs incurred by KME Partecipazioni prior to the date the merger entered into effect and costs for the merger transaction itself, and euro 0.1 million attributable to holders of savings shares, and particularly to ongoing disputes with certain of the latter. These are further described under the section "*Disputes*".

* * *

Insofar as the **business outlook** is concerned, the results will depend mainly on the performance of the individual investments and any disinvestments of the former Intek activities. Furthermore, commissions on financial guarantees given to subsidiaries will fall due. As regards performance of the equity investments, please refer to the following sections on forecasts for future developments in the Group's investment sectors.

* * *

Performance in the various investment sectors

Below we present the performance of the Intek Group's investments existing as at 30 June 2016, which consist of the following main equity investments: KME AG, the KME Group holding company, FEB, Rede Immobiliare Srl and, following the merger of KME Partecipazioni, ErgyCapital, Culti Milano and Il Post. Furthermore, the Intek Group's investment of 19.15% in I2 Capital Partners Fund is defined as a direct investment.

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

The other equity investments in the Company's portfolio have been considered to provide services related to the Company's investment activity and include: I2 Capital Partners SGR SpA, I2 Real Estate Srl and Immobiliare Pictea Srl. Pursuant to the application of the accounting standard on Investment Entities, the Parent Company Intek Group consolidates these companies.

With regard to subsidiaries which provide services related to the Company's investment activity, following the comment on the investments we provide a brief summary of the equity, income and cash flow performance recorded in the first half of 2016.

* * *

"Copper" sector

The investment in the "copper" sector can be summarized as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
KME AG investment	409,988	409,988
KME Beteiligungsgesellsch.mbH investment	1,000	1,000
Financial receivables from KME AG	35,000	-
Other	5,353	2,329
Total "Copper"	**451,341**	**413,317**

The "copper" sector includes the production and marketing of copper and copper-alloy semi-finished products by the German subsidiary KME AG, and is the Intek Group's core business.

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 these terms, the international macroeconomic framework continues to be uncertain. On the one hand, the encouraging trend of the advanced countries continues despite the confirmed slowdown in the United States and the discontinuous performance of the Japanese economy, while, on the other hand, the emerging countries continue to show overall weakness, with China's growth slowdown affecting other Asian countries and raw material exporting economies.

In the euro area, where KME Group mostly operates, the cyclical expansion proceeds at a modest rate; prospects are positive, but uncertainty surrounding the size of the growth remains. Domestic demand confirms itself as the main driver of recovery, with a progressive increase in consumption and the stabilization of the building sector after a prolonged recession. Company investments remain weak, as they are still affected by high levels of unused production capacity.

As 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 increase operational efficiency and organisational flexibility and rationalize the business portfolio, with the objective of focusing resources on a series of high value-added businesses and markets with higher growth potential.

The agreement with Cupori, providing for the sale of 60% of KME France Sas, was partially executed. Based on the agreement, the sale was to be carried out in two phases: the first, already realized in March, referred to 49%, while the second, concerning the remaining 11%, is the object of a put option that KME AG can exercise upon occurrence of certain conditions.

The new structure started implementing the social plan which was agreed with the French trade unions in November 2015 and constituted the basis of the agreement with Cupori.

As for the Fornaci di Barga (Lucca) production plant, consideration had been given to the strategic option of transferring the production of rolled copper and special products to other Group units. However, at the end of June 2016 an agreement was reached to relaunch its operations by adopting solutions and measures that allow to 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 for the Italian operations, whose specific mandate is to take the measures required in order to achieve this objective.

Again in Italy, the Florence headquarters continued to carry out their function as a service center for all Group companies. The organizational structure, which had already been resized significantly in 2015 in terms of costs, is undergoing a further cost reduction based on the flexible use of social safety measures and voluntary termination incentives, according to solutions agreed with the trade unions.

Regarding the strategy of focusing on markets with higher growth potential, the project aimed at creating a new production plant for rolled products for connectors in China, in partnership with a major local operator, is currently underway. The cold rolling and annealing line is expected to be completed within the last quarter of 2016, while the foundry and hot rolling line is scheduled for the end of 2017. 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.

The expansion in China, the significant restructuring of the production plants in Germany, France and Italy, and the effort to collaborate with major operators in the sector are the components of a structured strategy aimed at strengthening the industrial, income and equity structure of the KME Group by increasing operating efficiency, streamlining organisation, and focusing resources on businesses with high value added and in dynamic geographic areas which can guarantee development and stable profits over the long term. This course of action could result in further financial benefits with the relisting of the Parent Company KME AG on the German stock exchange; to this end, the Frankfurt consulting company Acxit Capital has been mandated to assess the feasibility terms and conditions of such a project. Should the positive results found in the preliminary assessment be confirmed, the operation may be completed before the end of next year.

As for the market trend, the demand for **semi-finished products in copper and copper alloys for the building sector** is still characterised by a fundamental weakness. During the half year under review, sales of rolled products, used for roofs, façades, finishings and interior design, confirmed that recovery is underway in this area. However, the weakness of demand still continues to neutralise the positive effect of the increased 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.

Also the sales volumes of plumbing and heating tubes showed signs of greater resistance, with more stable prices.

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. Sales volumes of industrial rolled products, whether copper or alloys, in their vast assortment of compositions, sizes and formats, have been growing in the last few months, showing more stable prices. Industrial tubes, which also cover a vast range of applications, reported weak sales volumes and prices in the last few months.

The revenue of special products is adversely affected by the slowdown in business activity in the main emerging countries; prospects are closely linked to their economic developments. In certain segments, such as the ingot moulds and the copper cooling elements for foundries, the KME Group intends to maintain a leading position worldwide, with a strong commitment toward innovation and constant technological advances in products and services.

The negative trend reversal in the rods market seems to have stopped in the last few months of 2015 and in the first few months of 2016, as there were signs of recovery in terms of volumes. Prices, however, are under pressure.

Despite the drop in sales, the positive effects on the cost of the industrial and commercial measures adopted allowed to recover operating profitability, which in in the first half of 2016 increased by 33.6% (28.1% on a like-for-like basis) compared to the same period of the previous year. Such improvement could have been even better if, during the half year under review, optimization of raw material use had not continued being low because of lower availability of scrap on the market, resulting in higher costs. The ratio of EBITDA to revenue (net of raw materials) was 10.5% in in the first half of 2016; the comparison with the figures recognised in the first half of 2015 (7.3% on a like-for-like basis) shows a progressive improvement.

Key consolidated results of the copper sector

(in millions of euro)	*1st half 2016*	*1st half 2015*
Revenue	**893.2**	**1,080.0**
Revenue (net of raw materials)	**264.5**	**313.5**
EBITDA	**27.8**	**20.8**
EBIT	**10.9**	**2.4**
Profit/(Loss) before non-recurring items	**2.0**	**(9.8)**
Non-recurring income/(expenses)	**(14.6)**	**(24.3)**
Effect of IFRS measurement of inventories	***(15.1)***	***(3.8)***
Consolidated net profit/loss	**(29.5)**	**(32.3)**
Net debt *(*)*	**222.0**	**231.7**
Equity *(*) (**)*	**233.2**	**269.7**

(*) Data as at 30 June 2016 and as at 31 December 2015

(**) Equity stated in the Report as at 31 December 2015 was equal to euro 299.4 million against goodwill of euro 241.6 million. Such goodwill resulted upon initial application of the IFRS following the decision of KME AG to prepare its own consolidated financial statements starting from 31 December 2015. Subsequent amendments made to the KME AG financial statements prior to their official publication, mainly referring to goodwill, adjusted equity to euro 269.7 million.

In the comment, the reference to a like-for-like basis refers to the corresponding exclusion from the data for the first half of 2015 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 the first half of 2016 amounted to euro 893.2 million, down 17.3% (11.4% on a like-for-like basis) compared to 2015 (euro 1,080.0 million). This reduction was primarily influenced by the lower prices of raw materials. Excluding their impact, revenue declined from euro 313.5 million to euro 264.5 million, down 15.6% (11% on a like-for-like basis).

EBITDA in the first half of 2016 was euro 27.8 million, up 33.6% (28.1% on a like-for-like basis) compared to the same period of 2015 (euro 20.8 million). The cost of labour and other operating costs dropped, confirming the positive effect of the efficiency and flexibility measures adopted to counter the reduction in sales volumes, thanks also to the agreements reached with the trade unions which made it possible, among other things, to largely forestall employment terminations by using social safety measures.

EBIT stood at euro 10.9 million (euro 2.4 million in 2015).

Profit before non-recurring items was euro 2.0 million (loss of euro 9.8 million in 2015).

At the end of June 2016, the **Consolidated result, net of taxes** showed an overall loss of euro 29.5 million (it had incurred a loss of euro 32.3 million in 2015).

The result for the first half of 2016 is adversely affected by **Non-recurring expenses** of euro 14.6 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 30 June 2016 was negative to the tune of euro 222.0 million, decreasing compared to the end of December 2015 (euro 231.7 million) due to the deconsolidation of the Cupori joint venture.

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 SpA provided credit lines totalling euro 150 million that both the French and the Italian companies can use for factoring without recourse, 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 factoring without recourse and expiring 31 July 2018.

Therefore, 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.

At the end of June 2016, **Equity** totalled euro 233.2 million: the decline compared to the end of 2015 was mainly due to the loss for the period under review.

In the first half of 2016, **Investments** of the copper segment's production units totalled euro 5 million (euro 16 million in 2015).

The number of **Employees** at 30 June 2016 was 3,846 (4,713 at the end of 2015).

With regard to the **business outlook**, in the next few months KME Group will enjoy a further reduction in operating costs, thanks to the implementation of programmes aimed at reorganizing the production assets in the various areas of activity. The increased competitive position strengthens the prospects for improvement in the Group's economic performance and allows it to take full advantage of a future stronger recovery of production activities in Europe.

In the first half of 2016, the **price of copper** decreased, compared to the previous year, by 21.8% in US$ (from US$ 6,010/tonne to US$ 4,699/tonne) and by 22.3% in euro (from euro 5,421/tonne to euro 4,214/tonne). In terms of trend, in the second quarter of 2016 average copper prices partially recovered compared to the first quarter of 2016 (+1.3%, from US$ 4,669/tonne to US$ 4,730/tonne), while continuing declining, albeit to a limited extent, in euro (- 1.1%, from euro 4,237/tonne to euro 4,191/tonne).

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Private Equity

Investment in private equity is represented by the Company's equity investment in I2 Capital Partners SGR SpA, the relations involving payables and receivables it has with I2 Capital Partners SGR SpA, and the unit of the I2 Capital Partners fund held directly by Intek Group.

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
I2 Capital Partners fund	5,443	7,345
I2 Capital Partners SGR investment	2,501	2,501
Financial payables to I2 Capital Partners SGR	(1,313)	(1,310)
Other	88	44
Total Private Equity	**6,719**	**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 owns 19.15% of the closed-end mutual investment fund I2 Capital Partners (hereinafter also referred to as the "Fund"), which began operating in 2007, collecting subscriptions for euro 200 million, the maximum amount allowed by the Regulation. Subscriptions were collected from qualified investors only.

In July 2012, the Fund completed its investment period and from that date has concentrated on increasing the value of the assets in its portfolio.

As at 30 June 2016, the total amount called upon the launching of the Fund's operations was euro 124.0 million, while the callable residual contributions totalled approximately euro 10.6 million.

In the first half of 2016, following the positive results achieved during 2015, the investees Isno 3 and Benten paid dividends to the Fund for a total of euro 7.6 million. Furthermore, in February 2016, the Fund collected euro 5 million following the final distribution from the Safim Factor proceedings. These events allowed for a partial redemption of euro 12.6 million, of which euro 2.4 million to Intek.

The fair value of the Fund at 30 June 2016 was euro 28.4 million, of which euro 5.4 million referred to Intek Group (as at 31 December 2015 it was euro 38.4 million, of which euro 7.3 million referred to Intek Group).

The table below shows the fair value amounts of the Intek Group's main investments existing at 30 June 2016, compared to 31 December 2015.

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
ISNO 3 Srl - official assignee of Festival Crociere SpA's composition	2,308	2,308
ISNO 4 Srl - official assignee of OP Computers SpA's composition	575	575
Nuovi Investimenti SIM SpA	1,915	2,490
Benten Srl - official assignee of Mediafiction SpA's composition	19	19
Safim Leasing SpA in liquidation	5	5
Fei Srl in liquidation	-	10
Editoriale Vita	1	2
Alitalia – Compagnia Aerea Italiana SpA;	77	77
Nuova GS Srl / Selecta SpA	-	-
Total Investments	**4,900**	**5,486**

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

As at 30 June 2016, the residual assets of the Fund consist of certain assets with high realization potential but uncertain timing of collection, and other investments with higher risk, also in terms of realizable value. The following are part of the first group: i) tax credits (approximately euro 2 million) and the probable contingent assets concerning certain amounts no longer collectible by untraceable creditors (euro 1 million) referring to Isno 4, and ii) a portion of Benten's tax credits, Benten being a 30% investee, (of which approximately euro 10 million collected in March 2016). The receivables from the significant lawsuit initiated by Isno 3 against Credit Agricole and from the equity investment in Nuovi Investimenti SIM are less predictable in terms of amounts and time of collection. Assessment of the investments in Nuova GS (Selecta) and Alitalia is more problematic and risky.

Following is a brief description of the main investments existing at 30 June 2016.

Isno 3 Srl –Festival Crociere Proceedings

During the half year, there were no developments in regard to the only litigation still in existence against Credit Agricole and other respondents. It should be mentioned that in December 2012 the Court of Genoa issued a first instance ruling which rejected the main claims made by Isno 3 Srl, sentencing GIE Vision Bail SA, wholly owned by Calyon, to pay euro 6.8 million plus interests as a bankruptcy rescindment. The Genoa Court of Appeals accepted the appeal filed by the company and set the next hearing to July 2017.

Isno 4 Srl/OP Computers SpA

As at 30 June 2016, the assets of Isno 4 consisted of cash and cash equivalents of approximately euro 1.0 million, and tax credits, claimed as a refund, of approximately euro 2 million. During the year underway, Isno 4 continued its activity aiming at the refund of tax credits and started the procedure for attribution of the amounts, totalling approximately euro 1 million, it had previously allocated to creditors of the bankruptcy, as such creditors were definitively untraceable.

Benten Srl

In the first half of 2016, the company distributed to the Fund a dividend of euro 2.2 million in consideration of the positive results achieved at the end of 2015. It should also be noted that, in July 2016, the Fund collected from the company an extraordinary dividend of euro 105 thousand.

At 30 June 2016, the assets to be a realised consisted of a significant amount of tax credits, the most substantial of which was a VAT credit of a nominal amount of approximately euro 10 million contested by the Italian Revenue Agency. The management of Benten is confident about the final outcome of the dispute that has developed, though this may lengthen the collection time.

Safim leasing SpA in liquidation

In April 2016, the company collected euro 600 thousand, which is a portion of the tax credits claimed as a refund. Over 90% of this amount will be partially distributed to the Fund over the next few months.

In addition to the aforementioned cash funds, the company assets also include other tax credits for which a refund has already been claimed.

Purchase of non-performing receivables

The residual receivable of approximately euro 5.0 million from Safim Factor SpA under compulsory administrative liquidation was refunded in full in February 2016.

Alitalia

Following the extraordinary transaction involving Alitalia, which became effective from 1 January 2015 and resulted in Etihad Airways entering into the share capital of the new Alitalia (SAI - Società Aerea Italiana), the Fund's own equity investment decreased considerably, and is currently equal to 0.14% of the voting rights of the share capital of CAI, the company that owns 100% of the special purpose entity owning 51% of Alitalia SAI.

As early as 2015, interventions for the remodelling of the operations took place, reducing or cancelling the destinations and/or frequencies which were considered to be unsatisfactory. Concurrently, the introduction of new aircraft enabled new routes to be opened, in particular to South America and Asia. The economic and financial performances in 2015 were nevertheless conditioned by phenomena that did not involve management such as the fire that broke out in Fiumicino airport in May, which had obvious repercussions on the operations of the country's major airport. This circumstance was compounded by the significant geopolitical tensions in the Middle East and Ukraine and, lastly, the November Paris terrorist attacks. This all took place in a market environment characterized by strong competition, on both domestic and international routes, by low cost carriers and high speed trains. Nevrtheless, the company confirmed its foecast for a return to profitability during 2017.

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

The economic/financial performance for the half year ended 30 June 2016 was in line with the forecasts of the new Business Plan prepared by management for 2015-2027, on which the update of the 2011 Agreement with Poste Italiane SpA was based.

The pre-closure consolidated data for the first half of 2016 show (i) turnover equal to euro 19 million (euro 17.5 million as at 30 June 2015) and EBITDA that is positive by euro 3.3 million (17% of period sales), against EBITDA of euro 3.6 million recognised in the previous half year. This performance places Selecta in first place in its reference segment, in terms of operating efficiency.

Despite this fact, the overall status of Selecta is considerably precarious. Its reference market, that of printing and putting into envelopes of mandatory communications, remains difficult. The progressive dematerialization of communications (due to a general and increasing preference for sending communications in digital format) places strong pressure on volumes and margins, and the Company has to face significant competition from operators that offer the same service, in bundled form with forwarding, at more and more competitive prices.

Consolidated debt as at 30 June 2016 increased by euro 5 million (from euro 25 million as at 31 December 2015 to euro 30 million currently), mainly following the acquisition of Civi Holding, the owner of the building that houses the Selecta headquarters and a portion of the production plants.

Of this debt, euro 26 million are to Poste Italiane, while euro 2 million are to Nuova GS, following the acquisition of the equity investment in the real estate company Civi Holding Srl under Liquidation. In this framework, an agreement was recently signed pursuant to article 67, paragraph 3, letter D of the Bankruptcy Law, after the agreement of October 2011, which led to the approval of a new plan by this important creditor, which is also a competitor (through its subsidiary Postel), and a provider of forwarding services. As at 30 June 2016, the New GS group’s debt level totalled euro 40 million at the consolidated level, of which euro 10 million to two banks which funded Selecta’s acquisition.

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

Nuovi Investimenti SIM SpA

At the end of 2010, the Fund recovered the company Nuovi Investimenti SIM SpA 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 SpA and the investment funds managed by it.

In the first half of 2016, the results of Nuovi Investimenti decreased significantly as a result of the progressive reduction of the trading on the bond markets and the progressive zeroing of the interest rates.

With regard to the subsidiary Alpi Fondi SGR, it should be noted that the volumes managed by its funds continued to increase, though there was a temporary contraction of the AUM at the end of June 2016 (euro 162 million compared to euro 168 million at the end of 2015), which was offset by the July deposits.

During the half year under review, the search for possible purchasers of Alpi Fondi SGR led some sector operators to express their interest, while, as for NIS, a project for the development of new activities aimed at diversifying the company’s operation and bringing it back to profitability is under examination. This operation could also provide an interesting way for the Fund to exit the investment.

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Non-operating assets

They can be summarised as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
FEB - Ernesto Breda investment	18,500	18,500
Former Fime receivables (net of advances)	6,192	6,262
Other non performing receivables (tax credits and from arrangements with creditors)	6,659	6,656
Net assets/(liabilities) concerning former Isno 2	(838)	(40)
Provision for risks	(3,107)	(3,154)
Financial payables to FEB - Ernesto Breda	(15,823)	(14,829)
Financial payables to Breda Energia in liquidation	(2,417)	(1,987)
Other	(375)	(350)
Total Non-operating assets	**8,791**	**11,058**

FEB - Ernesto Breda

As at 30 June 2016, the fair value of the overall investment in FEB is equal to euro 18.5 million, unchanged compared to 31 December 2015.

The company ended the first half of the year with a profit of euro 0.4 million, due to the return on cash and the extraordinary gain from tax credits previously transferred. Equity was euro 15.2 million.

The mutual current account relation with our Company continued, and as at 30 June 2016 there was a balance in favour of FEB of euro 15.8 million.

As indicated previously, we reiterate that the procedure for the merger by incorporation of FEB into Intek Group is underway and expected for the end of this year. In the first days of September, the respective Extraordinary Shareholders' Meetings of the two companies approved the merger plan.

The FEB Board of Directors calculated at euro 0.008 the value of each FEB share for which the right of withdrawal should be exercised pursuant to article 2437, paragraph 1, letter.g) of the Civil Code, as provided by the merger plan.

As indicated previously, we reiterate that the merger by incorporation of FEB into Intek Group is subject to the condition that the maximum cost for the withdrawal is not higher than euro 800,000, a condition set in the exclusive interest of Intek Group, which can therefore waive it. For further details, please see the merger plan and the report of the respective administrative bodies of Intek Group and FEB, submitted pursuant to the law and the regulations and published on the websites of both companies.

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The provision for risks, amounting to euro 3.1 million, mainly refers to disputes connected to the former Fime's previous management.

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The credit recovery activity related to the former Fime and Isno 2 assets continued. This activity resulted in collections, during the first half of the year, totalling euro 1.1 million (euro 1.3 at the drafting date of this Report).

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Real Estate/Other assets

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

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*

I2 Real Estate investment	12,400	12,400
Rede investment	2,362	2,362
Land and buildings	32	32
Land and buildings IFRS 5	941	941
Financial receivables from I2 Real Estate	7,022	6,447
Financial receivables from Rede Immobiliare	788	196
Progetto Ryan 2/Mecchld investment	419	400
Other	265	321
Total Real Estate/Others	**24,229**	**23,099**

During 2015, I2 Real Estate and other partners established the special purpose entity Fossati Uno Srl – a 35% investee. The purpose of the SPE is to upgrade the area around the former Fossati plant in Sondrio, which was purchased at the end of the year. The transaction required investments of euro 0.4 million during the period, to be added to the euro 2.9 million as at 31 December 2015.

No developments have been indicated regarding the Varedo property, which is owned through Tecno Servizi. Interest has been expressed by various operators, but without the submission of any specific offer.

I2 Real Estate maintains all relations with Tecno Servizi Srl directly, and has continued to finance its cash requirements, equal to euro 0.4 million.

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

During the half year, the reverse merger of Malpaso Srl into its subsidiary Rede Immobiliare Srl took place, so that the latter became wholly owned by Intek Group.

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

ErgyCapital/Other services

The assets are broken down as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
ErgyCapital investment/warrant	3,949	7,993
Culti Milano and Progetto Ryan 3 (former Culti Srl) investment	7,016	6,637
Il Post investment	628	400
Financial receivables from ErgyCapital	4,241	4,191
Financial receivables from Progetto Ryan (former Culti Srl)	952	535
Financial receivables from Culti Srl	1,723	1,421
Other	479	372
Total ErgyCapital/Other services	**18,988**	**21,549**

ErgyCapital

In the financial statements of Intek Group at 30 June 2016, the equity investment in ErgyCapital is measured at fair value and amounts to euro 3.7 million, corresponding to the stock exchange price at 30 June 2016.

During the first half of 2016, the ErgyCapital Group revenues amounted to euro 7.6 million, in line with the first half of 2015.

ErgyCapital sold the 51% equity investment in Società Agricola San Vito Biogas Srl, owner of a biogas installation of approximately 1 MWp located in San Vito al Tagliamento (Pordenone), thus generating a cash flow of euro 1.5 million and reducing the net financial position by approximately euro 4.0 million with a capital gain of approximately euro 0.5 million in the consolidated financial statements.

Consolidated EBITDA was positive by euro 4.2 million, showing an improvement compared to the previous year (euro 3.7 million), also thanks to the capital gain generated by the aforementioned sale of the subsidiary Società Agricola San Vito Biogas. The gross operating margin was confirmed at approximately 54%, not including the contribution relative to the sold equity investment.

During the period, net consolidated result was negative for euro 0.2 million, a net improvement, also due to the aforementioned capital gain, compared to the negative euro 0.8 million in the first half of 2015.

Net debt was euro 60.7 million, a significant improvement of approximately euro 6.0 million (euro 66.7 million as at 31 December 2015), due to the deconsolidation of the debt attributable to Società Agricola San Vito Biogas following the sale and to the payment of the financial debts of the installations belonging to the operating sectors.

The aforementioned binding agreement signed with Green Utility SpA was of particular significance, since it involved a project for integration of the respective groups and relative businesses. The realization of this project is subject to the positive outcome of the due diligence, currently underway, provided that an obligation to initiate a public offering on the ErgyCAPITAL shares does not emerge following the whitewash procedure.

Like ErgyCapital, Green Utility operates in the renewable energy sector; it owns (either wholly or partially) a portfolio of installations of approximately 30 MWp and manages an additional 15 MWp portfolio owned by two investment funds. The Green Utility group is furthermore active in Engineering Procurement Construction of photovoltaic and cogeneration plants; it is a System Integrator for Storage Solutions and provides Operation and Maintenance services, as well as Asset and Project Management and Advisory services to funds, utilities and other operators.

The parties reached an agreement on the following points regarding the integration:

- at the Shareholders' Meeting of ErgyCapital which shall be convened to reach a decision on the transaction, a proposal will be made to increase the share capital by consideration in cash without requiring all shares to be subscribed and to be offered on a pre-emptive basis to shareholders up to a maximum amount of euro 8.2 million, through the issuing of new ordinary shares (with the same characteristics as the outstanding shares) – at the unit price per share of a maximum of euro 0.060 – to be subscribed for prior to conclusion of the transaction.

- upon completion of the transaction: (i) the current controlling shareholder of Green Utility will be the controlling shareholder of the combined entity; (*ii)* Intek will be a minority shareholder with governance rights; and (*iii)* Intek and the Green Utility shareholders (or, depending on the structure of the transaction, Green Utility itself), will be bound by agreements aimed at stabilizing the ownership structure (i.e., lock up agreements).

In the event of a positive outcome of the due diligence currently underway, the parties, together with the controlling shareholders, will negotiate in good faith an investment agreement in which certain elements already included in the concluded agreement will be addressed and further specified, to the extent that this is possible and naturally subject to reaching an agreement with the controlling shareholders.

Furthermore, ErgyCapital and Green Utility committed, on their own account but not yet on behalf of their respective controlling shareholders, to address certain agreements regarding corporate governance in the investment contract.

Intek Group owns 49.04% of the share capital of ErgyCapital and holds de facto control thereof.

For further information, please refer to the documentation provided by ErgyCapital.

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Culti Milano Srl

Culti Milano performed well in the first half of 2016, with main economic indicators in line with the budget. Turnover reached euro 2 million, up 7% compared to the same period of 2015, and EBITDA, although negative by euro 75 thousand, was in line with the budget (the figure expected in six months is euro 80 thousand) and improved compared to last year (negative by euro 95 thousand).

Based on the figures achieved and the seasonal characteristics of the reference market, the company’s management is confident that the objectives set for 2016 will be reached.

Finally, the management of the company is seeking new commercial opportunities, in particular in China and the United States.

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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.

During 2016, euro 18.2 million of cash funds were used for support to existing investments, and euro 5.2 million for payment of bond interests.

As at 30 June 2016, cash and cash equivalents were equal to euro 14.2 million, of which euro 7.2 million invested in harmonized UCIs (investment funds), which are characterized by absolute yield investment policies

The average investment in the period up to 30 June 2016 was approximately euro 13 million. The target funds invested in are 8 (7 at 30 June), so that appropriate diversification of the portfolio is ensured. Furthermore, in the construction of the portfolio, diversification by asset class (equities or bonds) and by management style were privileged. Despite the diversification and careful approach to the construction of the portfolio, the results – measured a few days after the British referendum regarding Great Britain’s exit from the European Union – showed losses generated on two occasions during the year: in the first few months of the year, which were characterized by a high level of volatility, and coincidentally with the British referendum. In particular, the losses were concentrated on the more risky portion of the portfolio; stabilization of share prices could result in a recovery of the losses. Overall, the portfolio showed a loss of 5% in the period of reference (with -2% in January and -2% in june).

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 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.

As at 30 June 2016, Intek is a creditor of an additional euro 10 million to KME AG, as part of the current account in existence. This amount increased to euro 15 million as at the date that this report was prepared.

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Group results

Following the merger by incorporation of the sub-holding company KME Partecipazioni, the amounts of the consolidated financial statements became almost completely aligned with those of the separate financial statements.

The result for the period is negative by euro 5.7 million, resulting from net income from equity investments (euro 3.2 million), which have been negatively affected by the performance of the ErgyCapital share prices, and net financial expense (euro 2.0 million).

Consolidated Income Statement		
(in thousands of euro)	*1st half 2016*	*1st half 2015*
Net income from equity investment management	(3,158)	613
Commissions on guarantees given	2,028	2,081
Other income	1,580	935
Personnel costs	(1,008)	(1,218)
Amortisation, depreciation and impairment	(1,069)	(299)
Other operating costs	(2,260)	(2,763)
Operating profit/(loss)	**(3,887)**	**(651)**
Financial income	1,073	326
Financial expense	(3,081)	(3,096)
Net financial expense	*(2,008)*	*(2,770)*
Profit/(Loss) before taxes	**(5,895)**	**(3,421)**
Current taxes	(47)	(24)
Deferred taxes	277	(97)
Total income taxes	**230**	**(121)**
Profit/(Loss) for the period	**(5,665)**	**(3,542)**

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

Consolidated Equity		
(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
Share capital	314,225	314,225
Reserves	133,024	127,131
Profit/(Loss) for the period	(5,665)	6,169
Equity attributable to owners of the Parent	**441,584**	**447,525**
Non-controlling interests	-	-
Total equity	**441,584**	**447,525**

The consolidated net invested capital was as follows:

Consolidated Net Invested Capital		
(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
Net non-current assets	520,836	485,746
Net working capital	17,163	18,332
Net deferred tax	3,773	3,476
Provisions	(5,070)	(5,401)
Net invested capital	**536,702**	**502,153**
Total equity	441,584	447,525
Net financial position	95,118	54,628
Sources of finance	**536,702**	**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 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 increase in the "*Net non-current assets*" is due to the financial support provided to the portfolio investments, which caused an almost equal worsening of the "*Net financial position*" (from euro 54.6 million as at 31 December 2015 to euro 95.1 million as at 30 June 2016).

The "*Net financial position*" can be broken down as follows:

Reclassified Consolidated Net Financial Position			
(in thousands of euro)		*30 Jun. 2016*	*31 Dec. 2015*
Short-term financial payables		2,632	5,218
Medium- to long-term financial payables		7,618	7,630
Financial payables to Group companies		18,240	16,816
(A) Financial payables	**(A)**	**28,490**	**29,664**
Cash and cash equivalents		(8,194)	(10,947)
Other financial assets		(7,219)	(27,574)
Financial receivables from Group companies		(18,833)	(37,304)
(B) Cash and current financial assets	**(B)**	**(34,246)**	**(75,825)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**(5,756)**	**(46,161)**
(D) Outstanding debt securities (net of interest)		**100,874**	**100,789**
(E) Consolidated net financial position	**(C) + (D)**	**95,118**	**54,628**
(F) Non-current financial assets		**(49,132)**	**(13,345)**
(G) Total net financial debt	**(E) +(F)**	**45,986**	**41,283**

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)		*1st half 2016*	*1st half 2015*
(A) Cash and cash equivalents at the beginning of the period		**10,947**	**48,940**
Profit/(Loss) before taxes		(5,895)	(3,421)
Amortisation and depreciation of intangible assets and property, plant and equipment		216	44
Impairment /(Reversal of impairment) on non-current assets other than financial assets		853	256
Impairment/(Reversal of impairment) of investments and financial assets		3,305	(619)
Changes in pension provisions, post-employment benefits and stock options		(50)	11
Changes in provisions for risks and charges		(303)	(1,158)
(Increase)/Decrease in equity investments		(1,336)	-
(Increase)/Decrease in financial investments and financial assets		21,193	(22,106)
Increase/(Decrease) in current and non-current financial payables to related parties		1,424	(2,868)
(Increase)/Decrease in current and non-current financial receivables from related parties		(17,314)	674
(Increase)/Decrease in current receivables		(2,678)	2,312
Increase/(Decrease) in current payables		(67)	(2,417)
Taxes paid during the year		-	(28)
(B) Total cash flows from/(used in) operating activities		**(652)**	**(29,320)**
(Increase) in non-current intangible assets and property, plant and equipment		(57)	(18)
Decrease in non-current intangible assets and property, plant and equipment		72	-
Increase/Decrease in other non-current assets/liabilities		2	(1)
(C) Cash flows from/(used in) investing activities		**17**	**(19)**
(Purchase)/Sale of treasury shares and similar instruments		-	(277)
Bond issue and early redemption		-	39,796
Payment of interests on bonds		(5,085)	(2,820)
Increase/(Decrease) in current and non-current financial payables		2,297	1,463
(Increase)/Decrease in current and non-current financial receivables		670	(49)
(D) Cash flows from/(used in) financing activities		**(2,118)**	**38,113**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(2,753)**	**8,774**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**8,194**	**57,714**

* * *

Update in matters of governance

Following past practice, on the occasion of the presentation of the Interim Report, the Company considers it appropriate to update the information on corporate governance provided with the financial statements.

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 assigned the mandate for the legal audit of the consolidated and separate financial statements, as well as of the condensed consolidated interim report of Intek Group SpA, to Deloitte & Touche SpA for 2016 until 2024. With the approval of the financial statements as at 31 December 2015, the assignment to the legal auditing firm to 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 interim management statements thereby granting a longer time period for approval of the Consolidated Interim Financial Statements. Powers were granted to Consob to establish, through its own regulation, publication of additional periodic financial information; Consob initiated a public consultation in order to define future moves.

In consideration thereof, the Company did not publish information regarding the performance for the first quarter of 2016, reserving the right to assess, also in light of developments in the regulatory framework of reference, a stable communication policy for the quarterly data.

The Company is currently updating 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.

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

* * *

Other information

Treasury shares

As at the date of this Report, the Company holds 7,719,940 ordinary treasury shares (2.23% of this share type capital) and 11,801 own savings shares (0.024% of this share type capital).

In the first half of 2016, no acquisitions or disposals of ordinary or savings shares were made by the Company or its subsidiaries.

In the event of the FEB merger by incorporation, approximately 2,729,840 ordinary treasury shares will be used for the exchange.

Parent Company and ownership structure

The company is controlled by Quattroduedue Holding BV, which is based in Amsterdam (Holland), Vijzelstraat 67-78, through Quattroduedue SpA, a wholly-owned subsidiary of the aforementioned Quattroduedue Holding BV. At 30 June 2016, Quattroduedue Holding BV held 158,067,506 Intek Group ordinary shares (45.749% of the company's ordinary share capital), and 1,424,031 savings shares (2.842% of this share type capital).

It is hereby noted that, pursuant to the new reference regulation, any holders of so-called potential and/or long equity investments in the Issuer's capital shall provide relevant disclosure to

Consob and the Issuer itself. To this end, the Company has received a declaration from Intesa Sanpaolo SpA, regarding the ownership of financial instruments with characteristics of equity (reverse convertible) which would provide an approximately 25% stake in the Company's ordinary share capital, if the conditions for their conversion were to apply.

For further information concerning the ownership structure, the Company governance, and any other issue, please refer to the report compiled for 2015 pursuant to article 123-bis of Legislative Decree 58/98, which is attached to the financial statements.

Related party transactions

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

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 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 30 June 2016, in addition to the loan of euro 35.0 million, Intek is a creditor of an additional euro 10.0 million to KME AG, as part of the current account that is in existence. This amount increased to euro 15 million as at the date that this report was prepared. Intek is also a creditor by euro 5.1 million to KME AG and its subsidiaries for guarantees and interest charged.

Intek Group has loans from the Parent Company Quattroduedue SpA amounting to euro 1.7 million, with interest at Euribor plus a spread of 300 basis points.

As a consequence of the merger by incorporation of KME Partecipazioni, Intek became the direct lender of ErgyCapital (euro 4.2 million inclusive of accrued interest) and Culti Milano (euro 1.7 million inclusive of accrued interest).

Intek holds financial receivables from Progetto Ryan 3 under liquidation (euro 0.5 million) and Rede Immobiliare Srl (euro 0.8 million).

The Parent Company has also lent I2 Real Estate euro 7.0 million which was eliminated in the consolidated financial statements.

The existing amounts borrowed from non-consolidated subsidiaries refer to FEB - Ernesto Breda (euro 15.8 million), and Breda Energia (euro 2.4 million).

Furthermore, Intek Group has a financial debt to I2 Capital Partners SGR (euro 1.3 million) and Immobiliare Pictea (euro 6.4 million).

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

Disputes

During the first half of the year, 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 is set for 14

September 2016; the dispute is expected to be settled reasonably soon with a sentence that denies any right of saving shareholders in relation to the above mentioned distribution of reserves.

Moreover, during the first half year under review, identical claims were made by another four savings shareholders, against whom the company has taken action through the initiation of proceedings which are currently pending at the Courts of 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. At the end of August, the company received a notification regarding two injunctions of an amount of euro 20 thousand each, without provisional enforceability, issued respectively by the Courts of Trani and Bari, upon request of two of the savings shareholders against whom the Company had already taken action in order for their right regarding the distribution of the reserves in question to be denied.

Obviously, in this case as well, the Company mandated its own lawyers to oppose to the injunctions issued due to the lack of any legal grounds.

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, and intends to oppose such initiatives and take the most effective measures in order to protect its interests.

There are no significant updates regarding other disputes in which the Company is involved. For further details regarding such disputes, please refer to the financial statements as at 31 December 2015.

Personnel

As at 30 June 2016, Intek Group had 13 employees, of whom 3 executives and 10 clerical workers.

The average number of employees in consolidated companies, as compared with the first half of 2015, is as follows:

	2016	*2015*	*Change*	*% Change*
Executives	4	4	-	0.00%
	25.00%	23.53%		
Clerical workers	12	13	(1)	-7.69%
	75.00%	76.47%		
Total employees (average)	**16**	**17**	**(1)**	**-5.88%**
	100.00%	100.00%		

* * *

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

* * *

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

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

- With regard to the provisions of article 36, 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, in so far 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.

* * *

Risk management

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

Significant events after 30 June 2016

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

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 the first half of 2016 by the main companies identified as providing services related to the Intek Group's investment activity and by their subsidiaries.

I2 Capital Partners SGR SpA

I2 Capital Partners SGR SpA is active in collective asset management trough 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 for 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.

As at 30 June 2016, the company's equity totalled euro 2.5 million, and it closed the half year with a balanced budget.

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 that indicated in the section "*Real Estate/Other assets*", it is hereby noted that equity as at 30 June 2016 amounted to euro 12.2 million, and the result for the period was negative by euro 0.1 million.

With regard to the activities planned for 2016, 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

This company, which Intek assumed full control of during 2015, owns the building in Milan located at Foro Buonaparte, 44 where Intek Group and some of its subsidiaries have their headquarters.

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

The company had equity of euro 5.5 million and a positive result for the period of euro 0.1 million.

INTEK GROUP

Condensed Consolidated
Interim Financial Statements
as at 30 June 2016

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2016

Statement of Financial Position – Assets

(in thousands of euro)	*Ref. Note*	*30 Jun. 2016*	*of which related parties*	*31 Dec. 2015*	*of which related parties*
Investments in equity interests and fund units	*4.1*	451,947		455,275	
Non-current financial assets	*4.2*	52,849	*50,747*	13,345	*11,245*
Investment property	*4.3*	3,819		3,852	
Property, plant and equipment	*4.4*	11,733		11,987	
Goodwill	*4.5*	-		798	
Intangible assets	*4.6*	4		3	
Other non-current assets	*4.7*	484		486	
Deferred tax assets	*4.21*	7,286		7,040	
Total non-current assets		**528,122**		**492,786**	
Current financial assets	*4.8*	30,265	*22,818*	67,517	*39,564*
Trade receivables	*4.9*	13,577	*5,961*	10,959	*2,838*
Other current receivables and assets	*4.10*	11,503	*1,506*	11,442	*1,562*
Cash and cash equivalents	*4.11*	8,194		10,947	
Total current assets		**63,539**		**100,865**	
Non-current assets held for sale	*4.12*	1,784		1,784	
Total assets		**593,445**		**595,435**	

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

Disclosure on related party transactions is provided in note 4.22.

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2016

Statement of Financial Position – Liabilities

(in thousands of euro)	*Ref. Note*	*30 Jun. 2016*	*of which related parties*	*31 Dec. 2015*	*of which related parties*
Share capital		314,225		314,225	
Other reserves		39,711		37,186	
Treasury shares		(2,456)		(2,456)	
Retained earnings/(Accumulated losses)		72,137		68,539	
Reverse convertible		24,000		24,000	
Other comprehensive income reserve		(368)		(138)	
Profit/(Loss) for the period		(5,665)		6,169	
Equity attributable to owners of the Parent	*4.13*	**441,584**		**447,525**	
Non-controlling interests		-		-	
Total equity	*4.13*	**441,584**		**447,525**	
Employee benefits	*4.14*	409		437	
Deferred tax liabilities	*4.21*	3,513		3,564	
Non-current payables and liabilities	*4.15*	112,209		108,419	
Other non-current liabilities	*4.16*	1,788		1,788	
Provisions for risks and charges	*4.17*	4,661		4,964	
Total non-current liabilities		**122,580**		**119,172**	
Current financial payables and liabilities	*4.18*	24,857	*18,240*	24,295	*16,816*
Trade payables	*4.19*	1,096	*64*	1,271	*120*
Other current liabilities	*4.20*	3,328	*1,021*	3,172	*786*
Total current liabilities		**29,281**		**28,738**	
Total liabilities and equity		**593,445**		**595,435**	

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

Disclosure on related party transactions is provided in note 4.22.

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2016

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

(in thousands of euro)	*Ref. Note*	*1st half 2016*	*of which related parties*	*1st half 2015*	*of which related parties*
Net income from equity investment management	*5.1*	(3,158)		613	
Commissions on guarantees given	*5.2*	2,028	*2,027*	2,081	*2,081*
Other income	*5.3*	1,580	*75*	935	*64*
Personnel costs	*5.4*	(1,008)	*(19)*	(1,218)	-
Amortisation, depreciation and impairment	*5.5*	(1,069)		(299)	
Other operating costs	*5.6*	(2,260)	*(740)*	(2,763)	(932)
Operating profit/(loss)		**(3,887)**		**(651)**	
Financial income		1,073	*1,064*	326	*263*
Financial expense		(3,081)	*(224)*	(3,096)	*(275)*
Net financial expense	*5.7*	*(2,008)*		*(2,770)*	
Profit/(Loss) before taxes		**(5,895)**		**(3,421)**	
Current taxes	*5.8*	(47)		(24)	
Deferred taxes	*5.8*	277		(97)	
Total income taxes		**230**		**(121)**	
Profit/(Loss) for the period		**(5,665)**		**(3,542)**	
Other comprehensive income:					
Employee defined benefit plans		(22)		*21*	
Components that will not be reclassified to profit or loss		(22)		21	
Foreign currency translation gains/(losses)		-		-	
Net change in cash flow hedge reserve		(274)		-	
Taxes on other comprehensive income		66		-	
Components that can be reclassified to profit or loss		(208)		-	
Other comprehensive income, net of tax:		(230)		21	
Total comprehensive income/(loss) for the period		**(5,895)**		**(3,521)**	
Profit/(Loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(5,665)		(3,542)	
Profit/(Loss) for the period		(5,665)		(3,542)	
Total comprehensive income/(loss) attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(5,895)		(3,521)	
Total comprehensive income/(loss) for the period		(5,895)		(3,521)	
Earnings per share (in euro)					
Basic earnings/(losses) per share		(0.0146)		(0.0154)	
Diluted earnings/(losses) per share		(0.0146)		(0.0142)	

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

Disclosure on related party transactions 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*	*Retained earnings/ (Accumulated losses)*	*Reverse convertible*	*Consolidation reserves*	*Other compre-hensive income reserve*	*Profit/ (Loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consoli-dated 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 own savings shares	-	(2,017)	2,017	-	-	-	-	-	-	-	-
Deferred taxes on equity items	-	(45)	-	-	-	-	-	-	(45)	-	(45)
Vesting of stock options	-	19	-	-	-	-	-	-	19	-	19
Other changes	-	33	-	(49)	-	-	14	-	(2)	-	(2)
Comprehensive income items	-	-	-	-	-	-	(119)	-	(119)	-	(119)
Profit/(Loss) for the period	-	-	-	-	-	-	-	6,169	6,169	-	6,169
Total comprehensive income/(loss)	-	-	-	-	-	-	(119)	6,169	6,050	-	6,050
Equity at 31 December 2015	**314,225**	**37,186**	**(2,456)**	**68,539**	**24,000**	**-**	**(138)**	**6,169**	**447,525**	**-**	**447,525**
Reclassification of treasury shares	(2,456)	-	2,456	-	-	-	-	-	-	-	-
Equity at 31 December 2015	**311,769**	**37,186**	**-**	**68,539**	**24,000**	**-**	**(138)**	**6,169**	**447,525**	**-**	**447,525**

At 31 December 2015, the Parent directly held 11,801 savings shares and 7,719,940 ordinary shares without par value. The shares were subsequently totally reclassified as a reduction of the share capital.

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

Statement of Changes in Equity at 30 June 2016

Statement of Changes in Consolidated Equity at 30 June 2016											
(in thousands of euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/ (Accumulated losses)*	*Reverse convertible*	*Consolidation reserves*	*Other compre-hensive income reserve*	*Profit/ (Loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consoli-dated 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)	-		-	2,129	-	-	-	(2,129)	-	-	-
Deferred taxes on equity items	-	(44)	-	-	-	-	-	-	(44)	-	(44)
Other changes	-	(1,471)	-	1,469	-	-	-	-	(2)	-	(2)
Comprehensive income items	-	-	-	-	-	-	(230)	-	(230)	-	(230)
Profit/(Loss) for the period	-	-	-	-	-	-	-	(5,665)	(5,665)	-	(5,665)
Total comprehensive income/(loss)	-	-	-	-	-	-	(230)	(5,665)	(5,895)	-	(5,895)
Equity at 30 June 2016	**314,225**	**39,711**	**(2,456)**	**72,137**	**24,000**	**-**	**(368)**	**(5,665)**	**441,584**	**-**	**441,584**
Reclassification of treasury shares	(2,456)	-	2,456	-	-	-	-	-	-	-	-
Equity at 30 June 2016	**311,769**	**39,711**	**-**	**72,137**	**24,000**	**-**	**(368)**	**(5,665)**	**441,584**	**-**	**441,584**

At 30 June 2016, the Parent directly held 11,801 savings shares and 7,719,940 ordinary shares without par value. The shares were subsequently totally reclassified as a reduction of the share capital.

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

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2016

Statement of Cash Flows - indirect method

(in thousands of euro)		*1st half 2016*	*1st half 2015*
(A) Cash and cash equivalents at the beginning of the period		**10,947**	**48,940**
Profit/(Loss) before taxes		(5,895)	(3,421)
Amortisation and depreciation of intangible assets and property, plant and equipment		216	44
Impairment/(Reversal of impairment) on non-current assets other than financial assets		853	256
Impairment/(Reversal of impairment) of investments and financial assets		3,305	(619)
Changes in pension provisions, post-employment benefits and stock options		(50)	11
Changes in provisions for risks and charges		(303)	(1,158)
(Increase)/Decrease in equity investments		(1,336)	-
(Increase)/Decrease in financial investments and financial assets		21,193	(22,106)
Increase/(Decrease) in current and non-current financial payables to related parties		1,424	(2,868)
(Increase)/Decrease in current and non-current financial receivables from related parties		(17,314)	674
(Increase)/Decrease in current receivables		(2,678)	2,312
Increase/(Decrease) in current payables		(67)	(2,417)
Taxes paid during the period		-	(28)
(B) Total cash flows from/(used in) operating activities		**(652)**	**(29,320)**
(Increase) in non-current intangible assets and property, plant and equipment		(57)	(18)
Decrease in non-current intangible assets and property, plant and equipment		72	-
Increase/decrease in other non-current assets/liabilities		2	(1)
(C) Cash flows from/(used in) investing activities		**17**	**(19)**
(Purchase)/Sale of treasury shares and similar instruments		-	(277)
Bond issue and early redemption		-	39,796
Payment of interests on bonds		(5,085)	(2,820)
Increase/(Decrease) in current and non-current financial payables		2,297	1,463
(Increase)/Decrease in current and non-current financial receivables		670	(49)
(D) Cash flows from/(used in) financing activities		**(2,118)**	**38,113**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(2,753)**	**8,774**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**8,194**	**57,714**

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

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2016

Notes

1. General information

Intek Group is a holding company with diverse interests, whose main objective is to manage the assets and investments in its portfolio with a dynamic, entrepreneurial perspective focused on cash generation and investment appreciation over time, even through sales functional to the 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 electronic share market (Mercato Telematico Azionario or MTA) organized and managed by Borsa Italiana SpA.

Although a subsidiary of Quattroduedue Holding BV through the wholly-owned Quattroduedue SpA, Intek is not subject to the management and coordination activities envisaged in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulations, insofar as:

- 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 the Parent Company or any other company under Quattroduedue Holding BV'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 condensed consolidated interim financial statements as at 30 June 2016 were approved by the Board of Directors on 13 September 2016 and will be published in accordance with legal requirements.

2. Accounting policies

2.1. Assessment of Investment Entity status

Intek Group considers itself to meet the definition of an investment entity as set forth in paragraphs 27 and 28 of IFRS 10.

Paragraph 27 of IFRS 10 requires that the company:

a) obtain funds from one or more investors for the purpose of providing those investor(s) with professional 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 multiple investors;

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 condensed consolidated interim financial statements for the period ended 30 June 2016 were therefore prepared in application of the accounting standards relative to Investment Entities., measuring at fair value the investments in subsidiaries that do not provide investment-related services or activities, which are therefore no longer fully consolidated.

2.2. Basis of preparation

The consolidated interim financial statements as at 30 June 2016 have been prepared pursuant to article 154-*ter* of Legislative Decree 58/1998 and in compliance with 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 set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005 where applicable.

The Condensed Consolidated Interim Financial Statements as at 30 June 2016 are composed of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss for the Period and Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, as well as the Notes thereto.

The financial statements and the notes to the financial statements include, in addition to the amounts relating to the reference period, also the corresponding comparative data:

- at 31 December 2015, for the Statement of Financial Position, and
- at 30 June 2015, for the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows.

There were no changes to the structure of the financial statements compared to 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 consolidated statement of profit or loss and other comprehensive income, in which the items of revenue and cost recognised during the reporting period are presented by nature. These include the financial expenses, the portion of the profit (loss) of associated companies and 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) for the period. These items are divided into two categories as follows:

- those that will not be subsequently reclassified to profit or loss;
- those 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, which requires the profit (loss) for the period to be adjusted for the effects of:

- changes in receivables and payables generated by operating activities, including investment activity;
- non-cash transactions;
- all other items the cash effects of which 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 were 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 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 equity or profit (loss) for the reporting period, are the following:

- Amendments to *IAS 19: "Defined Benefit Plans: Employee Contributions"* (issued on 21 November 2013): relating to the accounting of employee or third parties contributions to defined benefit plans;
- Amendments to *IFRS* 11 *– Joint Arrangements: "Accounting for Acquisitions of Interests in Joint Operations"* (issued on 06 May 2014): relating to the accounting for acquisition of interest in joint operations when the operation constitutes a business;
- Amendments to *IAS 16 – Property, Plant and Equipment* and *IAS 41 – Agriculture*: *"Bearer Plants"* (issued on 30 June 2014): bearer plants, that is living plants used in the production or supply of agricultural produce and expected to bear produce every period (such as grape vines and hazels), should be accounted for in accordance to IAS 16 (instead of IAS 41);
- Amendments to *IAS 16 – Property, Plant and Equipment* and *IAS 38 – Intangible Assets: "Clarification of Acceptable Methods of Depreciation and Amortisation"* (issued on 12 May 2014): according to which a revenue-based method is not considered to be an appropriate manifestation of consumption. This is because revenue that is generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, while this is a requirement for depreciation and amortisation;
- Amendments to IAS 1: *"Disclosure Initiative"* (issued on 18 December 2014): the objective of the amendments is to provide clarifications regarding disclosure that can be perceived as impediments to the clear and intelligible preparation of financial statements;
- Finally, as part of the annual IFRS improvements process, on 12 December 2013 the IASB issued *"Annual Improvements to IFRSs: 2010-2012 Cycle"* (including *IFRS – 2 Share Based Payments: Definition of 'vesting condition', IFRS 3 – Business Combination: Accounting for contingent consideration, IFRS 8 – Operating Segments: Aggregation of operating segments* and *Reconciliation of the 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, "*Annual Improvements to IFRSs: 2012-2014 Cycle"* (including *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*, *IFRS 7 – Financial Instruments: Disclosures* and *IAS 19 – Employee Benefits*) which partially integrate pre-existing standards.

The Group has not yet applied the accounting standards listed in paragraph 2.21 below, which, although already issued by the IASB, become effective after the date of these condensed consolidated interim financial statements, or which have not yet completed the European Union endorsement process.

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 no. 05-178b of 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 only affect equity investments in subsidiaries which provide investment-related services or activities, as investees held for trade 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 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 net of accumulated impairment losses as required by IAS 36 – *Impairment of Assets.*

Unrealised profits on intercompany transactions, if material, are eliminated. Receivables, payables, income, expenses, guarantees, commitments and contingencies in connection with transactions between and among consolidated companies are also eliminated. Intercompany losses are not eliminated as they are deemed to represent an impairment loss on the asset sold. All financial statements of subsidiaries have been adjusted, if necessary, 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, gains or losses resulting from the loss of control are recognised in the parent's profit or loss, as provided for by IFRS 10, paragraph 25. In this case, the parent:

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

b) recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owned by or to the former subsidiary in accordance with relevant IFRSs. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of the investment;

c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

d) reclassifies the amounts recognised among other comprehensive income relative to the former subsidiary to profit or loss, or transfers such amounts 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	Share capital	Activity	% ownership	
					Direct	Indirect
Intek Group SpA	Italy	euro	314,225,010	Holding company	Parent	
I2 Capital Partners Sgr SpA	Italy	euro	1,500,000	Management of investment funds	100.00%	
I2 Real Estate Srl	Italy	euro	110,000	Real Estate	100.00%	
Immobiliare Pictea Srl	Italy	euro	80,000	Real Estate	100.00%	

During the half year, Intek Group incorporated KME Partecipazioni SpA, already wholly owned as at 31 December 2015.

2.4. Investments in equity interests and fund units

This item comprises investments in equities, including controlling investments, made in order to obtain a return from capital appreciation, investment income, 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 based on the transaction price, and is therefore equal to the consideration paid.

Subsequently, and at the end of each reporting year, the fair value of financial instruments quoted on an active market is based on market prices.

The fair value of instruments that are not quoted on an active market is determined, also with the support of independent consultants, using measurement techniques based on a series of methods and assumptions relating to market conditions at the date of preparation of the financial statements.

The measurement techniques used are the discounted cash flow method, the cost method, and the equity method.

The measurement techniques based on the discounted cash flow method generally consist in determining estimated future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and the adoption of market parameters for the discounting: the discount rate or margin reflects the credit and/or financing spread required by the market for instruments with similar risk profiles and liquidity, so as to define a "discounted value."

With regard to companies that own properties, please see the paragraph "*Investment Property*" below for valuation of such properties.

2.5. Investment property

Investment property is property which is not held by the Group for use in the production or supply of goods or services. These assets are measured at fair value, with any subsequent changes in the fair value recognised in profit or loss, and are consequently not subject to systematic amortisation.

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 and liabilities at fair value through profit or loss"

Fair value measurement

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

Subsequently, and at the end of each reporting period, the fair value of financial instruments quoted 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 quoted on an active market is determined using measurement techniques based on a series of methods and assumptions relating to market conditions at the date of preparation of the financial statements.

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

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not quoted 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.

The amount of loss on a financial asset carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. Impairments relating to available-for-sale financial assets are 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 debt instrument carried as available-for-sale 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 all costs necessary to bring the asset to working condition for its intended use, less 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 carried at cost less accumulated depreciation and impairment, with the exception of land, which is not depreciated and is carried at cost less accumulated impairment.

Ordinary maintenance costs are charged to the year they are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is probable that future measurable economic benefits will arise from them. Borrowing costs attributable to the acquisition 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. A lease is classified as a "finance lease" if it transfers substantially all the risks and rewards incident to ownership, even if ownership is not transferred at the end of the lease term. Finance leases are recognised as required by IAS 17, paragraphs 20-32.

All other leases that are not finance leases are classified as "operating leases".

Assets acquired under finance leases are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components: financial expense, 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 the fair value of the asset and the present value of the minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term or the lives of the assets, unless there is reasonable certainty that the lessee will obtain ownership at the end of the lease.

Impairment losses

Property, plant and equipment are tested for impairment when there is an indication of impairment. The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, and comparing it to its carrying amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Whenever recoverable amount is below carrying amount, carrying amount is reduced to recoverable amount. The difference is either recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the 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 a finite useful life is an identifiable asset without physical substance that is controlled by the entity and from which future economic benefits are expected.

Intangible assets are initially recognised at cost or fair value, respectively, including directly attributable expenses. They are then amortised on a systematic basis over 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 comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that 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 reference date of these financial statements, reduced by any share capital to be received. The value of treasury shares is reported, in accordance with IAS 32, as a reduction of subscribed share capital. Such adjustments are reported 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 deducted from equity.

2.11. Receivables and payables

The receivables and payables are measured 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 tax. Current and deferred tax is included in profit or loss, except to the extent that the tax arises from transactions that are recognised in equity, in which case the related tax amount is also recognised in equity.

Current tax expense is measured as the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases. Deferred taxes are not recognised for the following temporary differences: differences arising from the initial recognition of an asset/liability other than in a business combination that does not affect either the accounting or the taxable profit; and differences arising from temporary differences associated with investments in subsidiaries and interests in joint arrangements, but only to the extent that it is probable that the reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

2.13. Employee benefits

The accounting treatment for a post-employment benefit plan depends on the economic substance of the plan and results in the plan being classified as either a “defined contribution” plan or a “defined benefit” plan. Under a defined contribution plan, the entity’s obligation is limited to the payment of contributions to a separate legal entity, and consists of contributions due on the date of the financial statements.

Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined, with the assistance of independent experts, on the basis of actuarial assumptions and by applying an actuarial valuation method, the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans deriving from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

2.14. Provisions for risks and charges

Provisions for risks and charges are liabilities of uncertain timing or amount. An entity must recognise a provision if, and only if:

- a present obligation (legal or constructive) has arisen as a result of a past event;
- it is probable that payment will be needed to meet the obligation;
- the amount of the obligation can be estimated reliably.

The amounts recognised as provision are, therefore, the best estimate of the expenditure required to settle the present obligation at the balance sheet date or transfer it to a third party. Where the time value of money is material, provisions reflects the present value of expenditures deemed necessary to settle the present obligation.

2.15. Dividends

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

2.16. 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, within twelve months of classification as held for sale. 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

Revenues arising from the provision of services, including guarantees granted, are recognised based on the progress of the service 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 profit or loss 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 or loss attributable to the parent entity, 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 number of ordinary shares outstanding during the period less ordinary treasury shares;

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

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted.

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

The calculation of basic earnings per share at 30 June 2016 was done by taking the Group net profit/loss less the share due to savings shares, attributable to holders of issued ordinary shares, and the weighted average number of ordinary shares which was 339,581,037, taking account of any stock splits and/or reverse-stock splits and any increases/reduction in share capital pursuant to IAS 33 paragraph 64.

2.20. Use of estimates

The preparation of the condensed consolidated interim financial statements and notes thereto in accordance with IFRS requires the Directors to make estimates and assumptions which influence the amounts reported under assets and liabilities. In consideration of the fact that interim financial statements are mostly based on updates of the estimates made in previous end-of-year financial statements, and in absence of objective elements, the amounts of the assets and liabilities are adjusted only if the results of the updated estimates differ significantly from previous results.

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 doubtful accounts, 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 so as to determine whether it is necessary to recognise any variations in profit or loss At the reporting date of these condensed consolidated interim financial statements, 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

At 30 June 2016, certain new standards, amendments, and interpretations applicable to the Group had not yet become effective and were not used to prepare these condensed consolidated interim financial statements.

Some of the most important are detailed below:

- Final version *of IFRS 9 – Financial Instruments* (issued on 24 July 2014). This document contains the results of the Classification and measurement, Impairment, and Hedge Accounting phases of the IASB's project to replace IAS 39. The new standard, which replaces earlier versions of IFRS 9, must be applied to financial statements beginning on or after 1 January 2018. The Directors expect the application of IFRS 9 to have significant impacts on amounts and information reported in the consolidated financial statements of the Group. However, a reasonable estimate of the effects cannot be provided until the Group has conducted a detailed analysis.
- On 18 December 2014, the IASB issued "*Investment Entities:Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)"* which contains amendments to address issues that have arisen in relation to the exemption from consolidation for investment entities. Application of the standard is mandatory for annual reporting periods starting from 1 January 2016 onwards. Early adoption is permitted.Currently, directors are assessing the possible effect introducing these amendments will have on the Group's consolidated financial statements.
- *IFRS 15 – Revenue from Contracts with Customers* (issued on 28 May 2014 and integrated with further clarifications issued 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*. The standard establishes a new revenue recognition method, which will be applied to all contracts with customers, except for those that fall under the application of other IAS/IFRS such as leases, insurance contracts and financial instruments. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards. Early application is permitted. It is believed that application of IFRS 15 will not have a significant

impact on the amount recognised as revenues and the relative disclosure in the consolidated financial statements of the Group.

- On 13 January 2016, the IASB issued the standard *IFRS 16 – Leases* which is set to replace *IAS 17 – Leases*, the interpretations 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*. Application of the standard is mandatory for annual reporting periods starting from 1 January 2019 onwards. Early application is permitted only for companies that have opted for early application of *IFRS 15 - Revenue from Contracts with Customers*. The Directors do not expect the application of IFRS 16 to have significant impacts on the consolidated financial statements of the Group.
- On 11 September 2014 the IASB issued an amendment to *IFRS 10* and *IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"*. The document was published in order to resolve the current conflict between the requirements of IAS 28 and IFRS 10 regarding the measurement of the gain or loss from the sale or contribution of non-monetary assets to a joint venture or associated company in exchange for a share of the latter's capital. At the moment, the IASB has suspended application of this amendment.
- On 19 January 2016, the IASB issued "*Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*" which contains amendments to IAS 12. The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses upon occurrence of specific circumstances and the estimate of the taxable revenue for future financial years. Application of the amendments is mandatory for annual reporting periods starting from 1 January 2017 onwards. Early adoption is permitted. The directors do not expect adoption of these amendments to have a significant effect on the Group's consolidated financial statements (or indication of the effects).
- On 29 January 2016, the IASB issued *"Disclosure Initiative (Amendments to IAS 7)"* containing amendments to IAS 7. The objective of this project is to improve disclosures of financial liabilities. In particular, the amendments require disclosure that help users of financial statements to understand the changes in the liabilities arising from financing activities. Application of the amendments is mandatory for annual reporting periods starting from 1 January 2017 onwards. Early application is permitted. Comparative information from previous financial years is not required. Currently, directors are assessing the possible effect introducing these amendments will have on the Group's consolidated financial statements.
- On 20 June 2016, the IASB issued *"Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)"*. Application of the amendments is mandatory for annual reporting periods starting from 1 January 2018. Early application is permitted. The directors do not expect adoption of these amendments to have a significant effect on the Group's consolidated financial statements (or indication of the effects).

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, disinvestments could require more time than was expected and/or be realized on the basis of terms that are not fully satisfactory or at non remunerative conditions. In particular, regarding equity investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidability of these equity investments and their valuation cannot be guaranteed, in consideration of:

(a) the possible absence in these companies of control systems similar to those required of companies with listed shares, and 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) the difficulties inherent in carrying out independent audits of the companies and, therefore, assessing the completeness and accuracy of the information it provides. For non-controlling equity investments, whether in listed or unlisted companies, the possibility of influencing the management of the equity investments 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 intends to meet its cash requirements for the repayment of financial payables and capital expenditure through cash flows from operating activities, cash on hand, and fresh bank borrowings or the roll-over of existing bank credit;

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

d) interest rate risk: interest rate risk to which the Group is exposed arises primarily in connection with non-current financial liabilities. Floating rate payables expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value.

e) risk of fluctuation of the share value: the Group is exposed to market fluctuations insofar as the listed shares it holds in its portfolio, and to 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 the Condensed Consolidated Interim Financial Statements at 30 June 2016*</u>

4.1. Investments in equity interests and fund units

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Investments in subsidiaries and associates	446,387	447,620	(1,233)
Investments in other companies	12	12	-
Funds units	5,487	7,389	(1,902)
Other investments	61	254	(193)
Investments in equity interests and fund units	**451,947**	**455,275**	**(3,328)**

The breakdown of the item was as follows:

Name	*Registered office*	*Activity*	*Percentage of interest*	*31/12/2015*	*Increase*	*Decrease*	*Other changes*	*Positive change in fair value*	*Negative change in fair value*	*30/06/2016*
KME AG	Osnabruck (D)	Industrial	100.00%	409,989	-	-	-	-	-	409,989
ErgyCapital SpA *(*):*	Florence	Alternative Energy	46.37%	6,040	-	-	-	-	(2,369)	3,671
FEB - Ernesto Breda SpA	Milan	Holding company	86.55%	18,500	-	-	-	-	-	18,500
KME Beteiligungsgesellschaft mbH	Osnabruck (D)	Real Estate	100.00%	1,000	-	-	-	-	-	1,000
Tecno Servizi Srl	Varedo	Real Estate	100.00%	2,000	-	-	-	-	(200)	1,800
Fossati Uno Srl	Milan	Real Estate	35.00%	407	375	-	-	-	-	782
Malpaso Srl	Milan	Real Estate	*(**):*	(3,148)	-	-	3,148	-	-	-
Rede Immobiliare Srl	Milan	Real Estate	100.00%	5,510	-	-	(3,148)	-	-	2,362
Progetto Ryan 2 Srl in liq.	Milan	In liquidation	100.00%	400	1	-	-	-	-	401
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	20	-	-	-	-	-	20
Progetto Ryan 3 in liquidation	Milan	Furniture	100.00%	3,611	515	-	-	-	-	4,126
Culti Milano Srl	Milan	Furniture	100.00%	2,891	-	(1)	-	-	-	2,890
Mecchld srl	Milan	Debt mediation	20.00%	-	218	-	-	-	-	218
Il Post Srl	Milan	Publishing	18.80%	400	228	-	-	-	-	628
Total Subsidiaries and Associates				**447,620**	**1,337**	**(1)**	**-**	**-**	**(2,569)**	**446,387**
Other equity interests				**12**	**-**	**-**	**-**	**-**	**-**	12
Total equity interests				**447,632**	**1,337**	**(1)**	**-**	**-**	**(2,569)**	**446,399**
I2 Capital Partners Fund				7,344	144	(2,402)	-	358		5,444
Value Secondary Investment SICAR				45	-	-	-	-	(2)	43
Total fund units				**7,389**	**144**	**(2,402)**	**-**	**358**	**(2)**	**5,487**
Warrant ErgyCapital				254	-	-	-	-	(193)	61
Advances for equity interests				-	-	-	-	-	-	-
Total other investments				**254**	**-**	**-**	**-**	**-**	**(193)**	**61**
Investments in equity interests and fund units				**455,275**	**1,481**	**(2,403)**	**-**	**358**	**(2,764)**	**451,947**

(*): *the amount indicated refers solely to shares recognised under non-current assets;*

(**): *merged into Rede Immobiliaire;*

For determination of the fair value of the investments, an update has been made of the estimates made at the time of the drafting of the financial statements for the period ended 31 December 2015, to which reference should be made for further details.

With regard to the equity investment in KME AG, the Unlevered discounted cash flow (UDCF) method was used, with the assistance of an external consultant, to discount the operating cash flows generated by the assets (net of tax) at a discount rate which is representative of the weighted average cost of capital (WACC) of 8.55%, plus an additional premium of 1.5% to reflect the risks intrinsic in the estimates taking into account the historic deviations which have been recorded. The economic forecasts and changes to certain balance sheet items contained in the 2016-2020 Plan already used previously were used as a basis.

Similarly to 31 December 2015, sensitivity analyses were carried out in relation to the WACC applied and the EBITDA levels.

The basic assumptions would have led to a negative change in fair value of less than 3% compared to the one used as at 31 December. This change is due to modification of elements of the balance sheet and financial assets. Furthermore, usage of the comparison method based on market transactions has fully confirmed the end of year values.In the light of these results and the higher estimate level applied in the process for the updating of the calculations, the Directors considered it appropriate not to make changes to the book value of the equity investment.

Again with the assistance of an external consultant, with regard to the equity investment in FEB - Ernesto Breda, Progetto Ryan 3 and Culti Milano, the estimates made at the time of the preparation of the financial statements as at 31 December 2015 were updated. This update led to positive changes in the valuations which, consistently with what was indicated previously and given the low level of significance, were not reflected in the financial statements.

For the ErgyCapital shares and warrants, the market price at 30 June 2016 was applied, pursuant to IFRS 13.

For the other equity investments, reference was mainly made to the value of their shareholders' equities adjusted based on the current values of the relative assets, mainly consisting of properties the fair value of which is corroborated by appraisals carried out by third independent parties.

The stakes in “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 SpA. The value of the shares as at 30 June 2016 is equal to euro 5,444 thousand, down by euro 1,900 thousand compared to 31 December 2015. The reduction is due to the euro 2,402 thousand of refunds received and is net of the new payments of euro 144 thousand and the positive effects of the valuation of euro 358 thousand. The fair value has been calculated based on the fair value of the individual investments of the fund net of other financial assets and liabilities.

4.2. Non-current financial assets

The item can be broken down as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Receivables from related parties	47,030	11,245	35,785
Receivables arising from guarantees issued	3,717	-	3,717
Bank deposits pledged as collateral	2,000	2,000	-
Other non-current financial assets	102	100	2
Non-current financial assets	**52,849**	**13,345**	**39,504**

The increase in “*Receivables from related parties”* mainly refers to a loan of euro 35,000 thousand to the subsidiary KME AG granted during 2016. The loan falls due on 30 September 2018 and 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.

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

▪ KME AG	35,000
▪ Tecno Servizi	8,415
▪ Fossati Uno	2,488
▪ Progetto Ryan 3	952
▪ NewCocot	175
	47,030

"Receivable arising from guarantees issued" 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*" refer to the bank guarantees issued for the sale of the equity investment in Cobra AT (euro 2,000 thousand) that took place in 2014 and they will be pledged until 2017.

4.3. Investment property

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Investment property	**3,819**	**3,852**	**(33)**

The most significant item is of euro 3,453 thousand and is relative to the Ivrea building complex owned by I2 Real Estate, which is currently not leased.

The breakdown of the movements during the period is the following:

(in thousands of euro)	
Total at 31 December 2015	**3,852**
Increase in the period	22
Reclassifications	-
Fair value adjustments	(55)
Total at 30 June 2016	**3,819**

4.4. Property, plant and equipment

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Buildings	11,248	11,423	(175)
Plant and equipment	-	-	-
Movable property	463	542	(79)
Advances and assets under construction	22	22	-
Property, plant and equipment	**11,733**	**11,987**	**(254)**

Changes in the period may be summarised as follows:

(in thousands of euro)	*Buildings*	*Plant and equipment*	*Movable 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	-	-	33	-	33
Disposals (cost)	-	-	(78)	-	(78)
Gross amount at 30 June 2016	**13,506**	**-**	**2,274**	**22**	**15,802**
Accumulated depreciation at 31 December 2015	**(2,083)**	**-**	**(1,777)**	**-**	**(3,860)**
Amortisation, depreciation and impairment	(175)	-	(40)	-	(215)
Disposals (provision for depreciation)	-	-	6	-	6
Accumulated depreciation at 30 June 2016	**(2,258)**	**-**	**(1,811)**	**-**	**(4,069)**
Gross amount	13,506	-	2,274	22	15,802
Accumulated depreciation	(2,258)	-	(1,811)	-	(4,069)
Total at 30 June 2016	**11,248**	**-**	**463**	**22**	**11,733**

Under the item "*Buildings*" the most significant amount refers to the building located in Milan at Foro Buonaparte 44 which came under the ownership of the Group in 2015, following the acquisition of the controlling interest of Immobiliare Pictea and its consolidation. The parent company Intek and other Group companies have their registered offices in this building.

4.5. Goodwill

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Goodwill	**-**	**798**	**(798)**

This item was set to zero due to write-downs made for realisation of the contingent assets the goodwill refers to.

4.6. Intangible assets

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Other assets	4	3	1
Intangible assets	**4**	**3**	**1**

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

The changes in the period were as follows:

(in thousands of euro)	*Total*
Gross amount	8
Accumulated amortisation	(5)
Total at 31 December 2015	**3**
Gross amount at 31 December 2015	**8**
Purchases in the period	2
Gross amount at 30 June 2016	**10**
Accumulated amortisation at 31 December 2015	**(5)**
Amortisation, depreciation and impairment	(1)
Accumulated amortisation at 30 June 2016	**(6)**
Gross amount	10
Accumulated amortisation	(6)
Total at 30 June 2016	**4**

4.7. Other non-current assets

The breakdown of the item was as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Guarantee deposits	470	472	(2)
Other receivables	14	14	-
Other non-current assets	**484**	**486**	**(2)**

"Guarantee deposits" refer mainly (euro 466 thousand) to amounts paid in relation to the sale of the property in Paris, the lien of which will expire at the end of 2017.

4.8. Current financial assets

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Receivables from related parties	18,833	37,304	(18,471)
Investments in securities	7,219	26,902	(19,683)
Receivables arising from guarantees issued	3,985	2,260	1,725
Financial assets held for trading	228	379	(151)
Other current financial assets	-	672	(672)
Current financial assets	**30,265**	**67,517**	**(37,252)**

"*Receivables from related parties*" include:

- KME AG 10,000
- ErgyCapital SpA 4,241
- Quattroduedue SpA 1,789
- Culti Milano Srl 1,723
- Rede Immobiliare Srl 788
- KME Yorkshire Ltd 292

18,833

"*Investments in securities"* refer to harmonised UCIs (investment funds), in which a portion of the Group's liquidity is invested while awaiting other uses.

"*Receivables arising from guarantees issued*" are the present value of guarantee fees receivable within 12 months for guarantees issued by the Intek Group SpA to banks on behalf of the Group companies to which loans were extended. These receivables are matched by payables of an equal amount. The carrying amount of receivables determined in that manner is believed to approximate fair value.

The item "*Other current financial assets*" included, as at 31 December 2015, euro 672 thousand of blocked bank deposits, previously classified under non-current financial assets, which were freed and collected in the first half of 2016.

"*Financial assets held for trading*" consist of, among other things:

- 4,458,440 ErgyCapital SpA ordinary shares, which are carried at their official price at the year-end (euro 0.0474 per share);
- 4,993,900 ErgyCapital SpA warrants, which are carried at their official price at the year-end (euro 0.0012 per warrant);

In reference to the Consob Communication no. DEM/11070007 of 5 August 2011 which drew on the document issued by the European Securities and Markets Authority (ESMA), it is specified that the Group has no investments in sovereign debt securities.

4.9. Trade receivables

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
From customers – gross amount	*1,506*	*1,814*	(308)
Allowance for doubtful accounts	*(1,113)*	*(1,113)*	-
From customers – net amount	393	701	(308)
From related parties	5,961	2,838	3,123
Receivables for factoring/leases	7,223	7,420	(197)
Trade receivables	**13,577**	**10,959**	**2,618**

"*From related parties*" at 30 June 2016 mainly refer to guarantees issued.

4.10. Other current receivables and assets

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Tax assets	4,550	4,650	(100)
Receivables from special situations	4,844	4,843	1
Prepayments and accrued income	174	44	130
Receivables from related parties	1,506	1,562	(56)
Other receivables	429	343	86
Other current receivables and assets	**11,503**	**11,442**	**61**

"*Tax assets*" mainly include receivables for direct taxes of euro 3,422 thousand (of which euro 2,500 thousand claimed as a refund) and VAT receivables for euro 1,088 thousand of the Parent.

"*Receivables from special situations*" mainly include receivables arising from insolvency proceedings for euro 3,332 thousand and receivables guaranteed by properties for euro 1,510 thousand. Receivables from insolvency proceedings relate to positions in regard to the Finanziaria Ernesto Breda proceeding in order to guarantee receivables for its subsidiaries which are in administrative compulsory liquidation and will be collected on the basis of progress in these companies' insolvency proceedings.

"*Receivables from related parties*" as at 30 June 2016 totalled euro 429 thousand and refer mainly to positions that ensued as part of the tax consolidation and which will be settled by the end of this year.

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

4.11. Cash and cash equivalents

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Bank and post office accounts	8,185	10,934	(2,749)
Cash on hand	9	13	(4)
Cash and cash equivalents	**8,194**	**10,947**	**(2,753)**

4.12. Non-current assets held for sale

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Properties held for sale	1,784	1,784	-
Non-current assets held for sale	**1,784**	**1,784**	**-**

These are properties arising mainly from the previous Fime activity and for which sales negotiations are underway. One such negotiation was concluded against an amount of euro 180 thousand in the month of July, while another sale in the amount of euro 225 thousand is expected to be concluded by the end of 2016.

4.13. *Equity attributable to owners of the Parent*

Please see the "*Statement of Changes in Equity*" for an analysis of changes in consolidated equity.

The Intek Group 2012-2017 Reverse Convertible of 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 Reverse Convertible);
- the number of shares which the issuer of the Reverse Convertible must assign to the holders of the Reverse Convertible Bonds on their expiry is established in the regulation (28,452,150 Intek Group ordinary shares) and is not subject to change.

As at 30 June 2016, the Group held 7,719,940 ordinary shares (2.23% of this share type capital) and 11,801 saving shares (0.024% of of this share type capital). The treasury shares held by the company represented 1.95% of the total shares.

4.14. *Employee benefits*

The item is relative to "*Post-employment benefits*" and is broken down as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Executives	166	159	7
Clerical workers	185	244	(59)
IAS adjustment	58	34	24
Employee benefits	**409**	**437**	**(28)**

The changes in the item were as follows:

(in thousands of euro)	*31 Dec. 2015*	*Increase*	*Decrease*	*Allocations to the provision*	*30 Jun. 2016*
Defined benefit plans	-	-	-	-	-
Post-employment benefits	437	44	(70)	(2)	409
Employee benefits	**437**	**44**	**(70)**	**(2)**	**409**

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

General criteria	*30 Jun. 2016*	*31 Dec. 2015*
Discount rate	0.67-1.05%	1.39-2.03%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	9.3-11.8 years	7.2-11.7 years
General criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also at 30 June 2016 for the actuarial valuation of the post-employment benefits.

4.15. Non-current payables and liabilities

The breakdown of the item was as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Intek Group 2015-2020 bonds	100,874	100,789	85
Due to banks	7,154	7,621	(467)
Payables due to financial guarantees issued	3,717	-	3,717
Due to lease companies	6	9	(3)
Due to others	458	-	458
Non-current payables and liabilities	**112,209**	**108,419**	**3,790**

"*Intek Group 2015-2020 Bonds*" have a fixed rate of 5%. The nominal value of the issue is euro 101,704 thousand, while the book value was recorded net of the issue costs. Such costs were deferred throughout the life of the security so as to determine a constant effective interest rate.

The item "*Due to banks*" refers 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 1,123 thousand at 30 June 2016 bears interest at six-month Euribor plus 0.9% and is secured by the Ivrea properties. The second loan totalling euro 329 thousand bears interest at six-month Euribor plus 1.25% and is secured by the Padua properties. As regards Immobiliare Pictea, this is a loan which matures in July 2030, totalling euro 6,474 thousand as at 30 June 2016. The loan, secured by a mortgage on the property, bears interest at a floating rate of one-month Euribor plus 2.80%. An amortizing interest rate swap was concluded to hedge interest rate risk for the same duration, covering 100% of the loan hedged with a fixed rate of 0.99%. The fair value of such instrument at 30 June 2016 is included in the item "*Due to others*"

The subdivision of the current and non-current portion of the aforementioned bank loans is as follows:

(in thousands of euro)	*Current*	*Non-current*	*Total*
I2 Real Estate - Intesa SanPaolo	266	857	1,123
I2 Real Estate - Banco di Brescia	39	290	329
Immobiliare Pictea - Banco Popolare	467	6,007	6,474
Mortgage loans	**772**	**7,154**	**7,926**

With regard to "*Liabilities for financial guarantees issued* ", please see note 4.2 "*Non-current financial assets*".

4.16. Other non-current liabilities

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Other payables	1,788	1,788	-
Other non-current liabilities	**1,788**	**1,788**	**-**

The balance of this item, unchanged compared to last year, includes the following payables:

- euro 938 thousand relating to the special situations business as part of the taking over of creditors agreements;
- euro 850 thousand from an investment agreement with the Fossati Uno entity, which provides for the transfer of a portion of the income of the entity to the counterparty.

4.17. Provisions for risks and charges

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

(in thousands of euro)	*31 December 2015*	*Increase*	*Releases/uses*	*30 June 2016*
Provisions for special situation risks	3,155	-	(48)	3,107
Other provisions for risks and charges	1,809	30	(285)	1,554
Total	**4,964**	**30**	**(333)**	**4,661**

"*Provisions for special situation risks"* refer to the leasing and factoring operations previously carried out by the Fime Group, and were reduced due to use.

The most significant item (euro 1337 thousand) included in "*Other provisions for risks and charges*" is relative to provisions for coverage of tax liabilities relative to a sold equity investment which the Group had stood guarantee for. In 2015, the Court of Cassation issued a ruling denying the appeals made against the Italian Revenue Agency for the previous ruling, and the developments are still awaited. The decrease during the period referred for euro 185 thousand to uses for closure of the dispute with certain shareholders regarding extraordinary transactions in 2012, and for euro 100 thousand to the release of previous provisions made for liabilities which are now considered to be unlikely.

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

4.18. Current financial payables and liabilities

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Due to related parties	18,240	16,816	1,424
Payables due to guarantees issued	3,985	2,260	1,725
Due to banks	772	836	(64)
Due to lease companies	6	7	(1)
Due to others	1,854	4,376	(2,522)
Current financial payables and liabilities	**24,857**	**24,295**	**562**

"Due to related parties" contains the balance of the current accounts, held at market rates with remuneration set at Euribor plus a spread, in existence with the following direct or indirect subsidiaries:

- euro 15,823 thousand with FEB - Ernesto Breda;
- euro 2,417 with Breda Energia.

With regard to "*Liabilities for guarantees issued"*, please see comments under the paragraph *"Current financial assets.*"

"*Due to banks*" include the amounts of the aforementioned long-term loans that fall due within twelve months.

"*Due to others*" refer for euro 1,825 thousand to interests on outstanding bonds.

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 Prospectus" is presented in the "Interim Directors' Report" rather than in these notes.

4.19. *Trade payables*

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Due to suppliers	1,032	1,151	(119)
Due to related parties	64	120	(56)
Trade payables	**1,096**	**1,271**	**(175)**

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

The amounts due to related parties are almost exclusively relative to payables due to the Parent Company Board of Statutory Auditors for the remuneration in 2016, being accrued.

4.20. *Other current liabilities*

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Due to directors	729	786	(57)
Due to employees	293	213	80
Due to related parties	292	-	292
Tax payables	277	304	(27)
Due to social security institutions	104	112	(8)
Accrued expenses and deferred income	1	-	1
Other payables	1,632	1,757	(125)
Other current liabilities	**3,328**	**3,172**	**156**

"*Due to directors*" refer to the Parent and include euro 724 thousand for the end of mandate benefits which had previously existed for the Chairman and the relative interest accrued.

"*Due to employees"* include the amounts accrued, but not paid, as at the date of these financial statements, and increased as, on the reference date, the provision for the additional monthly amount to be payed in December is also included.

Of "*Due to related parties*", euro 200 thousand refer to payables due to Progetto Ryan 2 for the purchase of receivables.

"*Tax payables*" primarily relate to value added tax payables and direct taxes.

"Other liabilities" include euro 1.3 million of payables due to former lease customers from Fime, and refer to amounts which were collected as advances from customers and not offset with credit items.

4.21. *Deferred tax assets and liabilities*

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Deferred tax assets	7,286	7,040	246
Deferred tax liabilities	(3,513)	(3,564)	51
Deferred tax assets and liabilities	**3,773**	**3,476**	**297**

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

At the reporting date of these condensed consolidated interim 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*	
	30 Jun. 2016	*31 Dec. 2015*	*30 Jun. 2016*	*31 Dec. 2015*
Property, plant and equipment	-	-	(1,581)	(1,605)
Intangible assets	14	14	-	-
Investment property	162	162	-	-
Equity interests/Financial investments	-	-	(633)	(633)
Trade receivables	4,476	39	(1,293)	(1,320)
Other current receivables and assets	115	4,866	-	-
Non-current assets held for sale	166	166	-	-
Non-current financial liabilities	110	36	-	-
Other non-current liabilities	-	-	(6)	(6)
Provisions for risks and charges	829	878	-	-
Trade payables	-	44	-	-
Other current liabilities	88	103	-	-
Deferred tax assets on equity items	-	44	-	-
Deferred tax assets on tax losses carried forward	1,326	688	-	-
Total	**7,286**	**7,040**	**(3,513)**	**(3,564)**

4.22. Related party disclosures

The table below shows the payables, receivables, costs– and revenues items generated by transactions with related parties. The transactions with generated these items were carried out at arm's length and market prices. Please see the comments under the individual items for information regarding the nature of the transactions.

(in thousands of euro)	*Non-current financial assets*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial payables and liabilities*	*Suppliers*	*Other current liabilities*
Breda Energia SpA in compulsory liquidation	-	-	13	-	(2,417)	-	-
Bredafin innovazione SpA in compulsory liquidation	-	-	13	-	-	-	-
Culti Milano Srl	-	1,723	33	-	-	(2)	-
ErgyCapital SpA	-	4,241	357	-	-	-	-
EM Moulds Srl	-	-	29	-	-	-	-
FEB - Ernesto Breda SpA	-	-	33	-	(15,823)	-	-
Fricke Gmbh	-	-	1	-	-	-	-
KME AG	35,000	10,000	4,336	-	-	-	-
KME Brass France Sas	-	-	9	-	-	-	-
KME Brass Germany Gmbh	-	-	7	-	-	-	-
KME Brass Italy Srl	-	-	33	-	-	-	-
KME France Sas	-	-	12	-	-	-	-
KME Italy SpA	-	-	137	-	-	-	(2)
KME Germany & CO KG Gmbh	-	-	297	-	-	-	-
KME Inertubos SA	-	-	1	-	-	-	-
KME Yorkshire Ltd	-	292	222	-	-	-	(8)
KME Spain SA	-	-	1	-	-	-	-
KME Srl	-	-	-	-	-	-	(17)
Valika	-	-	2	-	-	-	-
New Cocot Srl in liquidation	175	-	15	-	-	-	-
Progetto Ryan 2 Srl in liquidation	-	-	100	-	-	-	(200)
Progetto Ryan 3 Srl in liquidation	952	-	61	-	-	-	-
Quattroduedue SpA	-	1,789	64	-	-	-	-
Quattroduedue Holding BV	-	-	-	8	-	-	-
Rede Immobiliare	-	788	-	-	-	-	-
Società Agr. San Vito Biogas Srl	-	-	185	-	-	-	-
Tecno Servizi	8,415	-	-	-	-	-	-
Fossati Uno Srl	2,488	-	-	-	-	-	-
Receivables arising from guarantees	3,717	3,985	-	-	-	-	-
Payables/Receivables for tax consolidation	-	-	-	1,498	-	-	(65)
Directors and Statutory Auditors	-	-	-	-	-	(62)	(729)
	50,747	**22,818**	**5,961**	**1,506**	**(18,240)**	**(64)**	**(1,021)**
Total	**52,849**	**30,265**	**13,577**	**11,503**	**(24,857)**	**(1,096)**	**(3,328)**
Percentage	**96.02%**	**75.39%**	**43.91%**	**13.09%**	**73.38%**	**5.84%**	**30.68%**

(in thousands of euro)	*Commissions on guarantees given*	*Other income*	*Other operating costs*	*Financial income*	*Financial expense*
Breda Energia SpA in liquidation	4	7	-	-	(30)
Bredafin Innovazione SpA in liquidation	4	7	-	-	-
Culti Milano Srl	-	-	-	22	-
EM Moulds Srl	14	-	-	-	-
ErgyCapital SpA	7	-	-	60	-
FEB - Ernesto Breda SpA	5	54	-	-	(194)
KME AG	1,902	-	-	843	-
KME Brass Italy	14	-	-	-	-
KME Germany & CO KG Gmbh	45	-	-	-	-
KME Italy Srl	32	-	(2)	-	-
KME Srl	-	-	(12)	-	-
KME Yorkshire Ltd	-	-	-	4	-
Progetto Ryan 3 Srl in liquidation	-	-	-	5	-
Quattroduedue SpA	-	7	-	25	-
Rede Immobiliare Srl	-	-	-	2	-
Tecno Servizi Srl	-	-	-	103	-
Directors/Statutory Auditors	-	-	(726)	-	-
	2,027	**75**	**(740)**	**1,064**	**(224)**
Total	**2,028**	**1,580**	**(2,260)**	**1,073**	**(3,081)**
Percentage	**99.95%**	**4.75%**	**32.74%**	**99.16%**	**7.27%**

5. ***Income Statement***

Pursuant to Consob Communication no. 6064293/06, it is hereby specified that in 2016 the Group did not carry out any "atypical and/or unusual transactions".

5.1. *Net income from equity investment management*

The breakdown of the item was as follows:

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Measurement at fair value of investments	(2,706)	577	(3,283)	-568.98%
Measurement at fair value of fund units and securities	122	174	(52)	-29.89%
Dividends	105	12	93	775.00%
Gains/losses from the sale of fund units and securities	(668)	-	(668)	n/a
Value adjustments on financial receivables from related parties	(11)	(150)	139	-92.67%
Net income from equity investment management	**(3,158)**	**613**	**(3,771)**	**-615.17%**

"*Measurement at fair value of investments*" includes, for euro 2,506 thousand, the negative effects of adjustment to current market prices of the investments, both current and non-current, in ErgyCapital, and for euro 200 thousand the adjustments made on Tecno Servizi.

"*Measurement at fair value of fund units and* securities" includes income of euro 357 thousand from the measurement of the I2 Capital Partners fund units, and losses of euro 212 thousand relative to adjustment to market prices of the ErgyCapital warrant.

The loss of euro 668 thousand shown in the item "*Profits/losses from the sale of fund units and securities*" is relative to the sale of mutual fund units.

5.2. *Commissions on guarantees given*

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Commissions on guarantees given	2,028	2,081	(53)	-2.55%
Commissions on guarantees given	**2,028**	**2,081**	**(53)**	**-2.55%**

This item refers to guarantees given to subsidiaries, mainly KME AG and its subsidiaries.

5.3. *Other income*

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Income from special situations	827	164	663	404.27%
Fund management fees	578	578	-	0.00%
Rental income	34	126	(92)	-73.02%
Rents charged to related parties	41	29	12	41.38%
Provision of services to related parties	34	35	(1)	-2.86%
Other	66	3	63	2100.00%
Other income	**1,580**	**935**	**645**	**68.98%**

"*Income from special situations*" was equal to euro 827 thousand and mainly refers to realization of potential assets connected to Isno 2.

"*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.

"*Other*" includes, for 2016, capital gains on the sale of assets for euro 58 thousand.

5.4. Personnel costs

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Wages and salaries	(662)	(809)	147	-18.17%
Social security charges	(202)	(235)	33	-14.04%
Stock option costs	-	(10)	10	-100.00%
Other personnel costs	(144)	(164)	20	-12.20%
Personnel costs	**(1,008)**	**(1,218)**	**210**	**-17.24%**

Below is the average number of employees, referring to consolidated companies only:

	1st half 2016	*1st half 2015*	*Change*	*% Change*
Executives	4	4	-	0.00%
	25.00%	23.53%		
Clerical workers	12	13	(1)	-7.69%
	75.00%	76.47%		
Total employees (average)	**16**	**17**	**(1)**	**-5.88%**
	100.00%	100.00%		

5.5. Amortisation, depreciation and impairment

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Depreciation	(215)	(41)	(174)	424.39%
Amortisation	(1)	(1)	-	0.00%
Reversal of impairment on investment property	(55)	(55)	-	0.00%
Impairment	(798)	(202)	(596)	295.05%
Amortisation, depreciation and impairment	**(1,069)**	**(299)**	**(770)**	**257.53%**

The increase in "*Depreciation*" is connected to the depreciation of the building located in Milan at Foro Buonaparte 44 and owned by Immobiliare Pictea, which was consolidated in the second half of 2015.

The impairment refers to the write-down of the goodwill which took place following the realization of the relative contingent assets.

5.6. Other operating costs

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(776)	(820)	44	-5.37%
Professional services	(497)	(1,150)	653	-56.78%
Travel costs	(118)	(88)	(30)	34.09%
Other personnel costs	(35)	(39)	4	-10.26%
Legal and company advertising	(48)	(82)	34	-41.46%
Electricity, heating, postal and telephone costs	(110)	(96)	(14)	14.58%
Insurance premiums	(57)	(55)	(2)	3.64%
Training and seminars	-	(1)	1	-100.00%
Real estate leases	(82)	(283)	201	-71.02%
Maintenance	(47)	(55)	8	-14.55%
Leases and rentals	(47)	(57)	10	-17.54%
Various tax charges	(376)	(142)	(234)	164.79%
Trade association contributions	(78)	(84)	6	-7.14%
Other net costs	(26)	(42)	16	-38.10%
Donations	(26)	(29)	3	-10.34%
Bank fees	(7)	(6)	(1)	16.67%
	(2,330)	*(3,029)*	*699*	-23.08%
Releases of provisions	100	266	(166)	-62.41%
Provision for risks	(30)	-	(30)	n/a
Losses on receivables	-	-	-	n/a
Other operating costs	**(2,260)**	**(2,763)**	**503**	**-18.20%**

There has been a general containment of costs. "*Professional services*" for 2015 were influenced by debt security exchanges.

For comments on "*Releases of provisions*", please see the paragraph *"Provisions for risks and charges*".

5.7. Net financial expense

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Interest income from related parties	*1,064*	*263*	801	304.56%
Other financial income and interests	*9*	*63*	(54)	-85.71%
Total financial income	1,073	326	747	229.14%
Interest expense on securities issued	*(2,620)*	*(2,704)*	84	-3.11%
Interest paid to related parties	*(224)*	*(275)*	51	-18.55%
Interest expense on loans	*(97)*	*(10)*	(87)	870.00%
Other interest expense	*(14)*	*(12)*	(2)	16.67%
Other financial expense	*(126)*	*(95)*	(31)	32.63%
Total financial expense	(3,081)	(3,096)	15	-0.48%
Total net financial expense	**(2,008)**	**(2,770)**	**762**	**-27.51%**

Interest expenses and income from related parties refer to the debt 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 "*Interest income from related parties*" is connected to the increase of existing loans.

"*Interest expense on securities issued*" is constant despite a higher level of exposure, thanks to the reduction of the rate (5% compared to 8%) with the new 2015 issues.

The “*Interest expense on loans”* has increased due to the consolidation of Immobiliare Pictea.

5.8. Current and deferred taxes

(in thousands of euro)	*1st half 2016*	*1st half 2015*	*Change*	*% Change*
Current taxes	(47)	(24)	(23)	95.83%
Deferred taxes	277	(97)	374	-385.57%
Current and deferred taxes	**230**	**(121)**	**351**	**-290.08%**

Starting from 2007, Intek Group SpA and most of its Italian subsidiaries elected to apply the “national tax consolidation” arrangement, so that the 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, as well as responsibilities and reciprocal obligations, are set out in the agreement, terms and conditions regarding the national tax consolidation arrangement, according to which the parent and/or subsidiaries with tax losses receive a payment equal to the relevant tax savings realised by the parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and effective charge:

(in thousands of euro)	*2016*
Profit/(Loss) before taxes	(5,895)
Theoretical tax charge (tax rate used 31.4%)	**1,850**
Reconciliation:	
- Non-deductible (expenses) and non-taxable income	(728)
- Impairment/(Reversal of impairment) on investments and securities	(892)
Taxes recognised in profit or loss	**230**

6. <u>Other information</u>

6.1. Financial instruments by category

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*	*Change*
Financial assets at fair value through profit or loss	467,198	484,916	(17,718)
Held-to-maturity investments	-	-	-
Loans and receivables	97,071	80,405	16,666
Available-for-sale financial assets	-	-	-
Financial liabilities at fair value through profit or loss	(8,160)	(2,411)	(5,749)
Financial liabilities and payables at amortised cost	(134,841)	(136,230)	1,389
Financial instruments by category			

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 30 June 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	451,947	-	451,947	-
Non-current financial assets	52,849	49,030	3,819	-
Other non-current assets	484	484	-	-
Trade receivables	13,577	13,577	-	-
Other current receivables and assets	11,503	6,953	-	4,550
Current financial assets	30,265	18,833	11,432	-
Cash and cash equivalents	8,194	8,194	-	-
Total financial assets	**568,819**	**97,071**	**467,198**	**4,550**
Non-current financial payables and liabilities	(112,209)	(108,034)	(4,175)	-
Other non-current liabilities	(1,788)	(1,788)	-	-
Current financial payables and liabilities	(24,857)	(20,872)	(3,985)	-
Trade payables	(1,096)	(1,096)	-	-
Other current liabilities	(3,328)	(3,051)	-	(277)
Total financial liabilities	**(143,278)**	**(134,841)**	**(8,160)**	**(277)**

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 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – unobservable inputs for the asset of liability.

Below is the analysis of the assets and liabilities by fair value level:

(in thousands of euro)	*Total Fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	451,947	3,732	-	448,215
Non-current financial assets	3,819	-	-	3,819
Current financial assets	11,432	7,447	-	3,985
Non-current financial payables and liabilities	(4,175)	-	(458)	(3,717)
Current financial payables and liabilities	(3,985)	-	-	(3,985)
Fair value levels				

The investments in ErgyCapital shares and warrants and cash investments in UCIs fall within Level 1 financial instruments.

6.3. *Notional amount of financial instruments and derivatives*

There are no derivative financial instruments recognised in the financial statements as at 30 June 2016 except for the hedging instrument for the interest rate risk on the mortgage loan of Immobiliare Pictea, the notional value of which is euro 6,572 thousand.

6.4. *Exposure to credit risk and impairment*

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

The ageing of trade receivables from current transactions due from third parties at the reporting date was as follows:

(in thousands of euro)	*Gross carrying amount*	*Impairment as at 30 June 2016*	*Net value*
Not yet due	75	-	75
Up to 60 days past due	103	-	103
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	1,328	(1,113)	215
Trade receivables	**1,506**	**(1,113)**	**393**

There was no movement in the period in the provision for trade receivable write-downs.

6.5. *Currency risk*

At 30 June 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 30 June 2016 was as follows:

(in thousands of euro)	*30 Jun. 2016*	*31 Dec. 2015*
Financial assets	2,590	2,590
Financial liabilities	(107,348)	(105,165)
Fixed-rate instruments	**(104,758)**	**(102,575)**
Financial assets	65,375	47,959
Financial liabilities	(19,704)	(25,289)
Floating rate instruments	**45,671**	**22,670**

A 50 basis point increase (or decrease) in interest rates at the reporting date of this financial statement would have produced an increase (decrease) in equity and net result of approximately euro 100 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 consolidated companies.

Annexes to the notes

Reconciliation between the result of the Parent Intek Group SpA and the consolidated result for the period ended 30 June 2016

(in thousands of euro)	*30 Jun. 2016*
Intek Group SpA separate profit/(loss)	**(5,318)**
Profit/(Loss) of subsidiaries (1)	(290)
Depreciation of excess cost on property (net of tax)	(63)
Other	6
Group consolidated net profit/(loss)	**(5,665)**
Profit/(Loss) of subsidiaries 2016	
(1) I2 Capital Partners SGR	7
I2 Real Estate	(351)
Immobiliare Pictea	54
Total	(290)

Reconciliation between the equity of Intek Group SpA and the consolidated equity at 30 June 2016:

(in thousands of euro)	*30 Jun. 2016*
Parent's equity including profit/(loss) for the period	**442,335**
Allocation of excess cost on property (net of tax)	4,087
Difference between the consolidated companies' equity and their carrying amounts	(4,838)
Group consolidated equity including profit/(loss) for the period	**441,584**

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 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 Condensed Consolidated Interim Financial statements for the half year from 1 January 2016 to 30 June 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 Condensed Consolidated Interim 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 Interim Directors' Report contains a reliable analysis of the references concerning significant events that took place in the first half of the year and their effect on the Condensed Consolidated Interim Financial Statements, together with a description of the major risks and uncertainties for the six months remaining in the year. The Interim Directors' Report also includes a reliable analysis of significant transactions with related parties.

Milan, 13 September 2016

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

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REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of Intek Group S.p.A. and subsidiaries (the "Intek Group"), which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes thereto, as at and for the six month ended 30 June 2016. The Directors are responsible for the preparation of the half-yearly consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements of Intek Group as at 30 June 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The consolidated financial statements of Intek Group for the period ended as of 31 December 31 2015 and the half-yearly consolidated financial statements as at 30 June 2015 have been respectively audited and reviewed by other auditors that on 29 April 2016 and on 7 August 2015 expressed an unmodified opinion and an unmodified conclusion on those consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
19 September 2016

This report has been translated into the English language solely for the convenience of international readers.